

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

DPC/2

9 September 1980

Special Distribution

International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL

SECOND SESSION

Report

Chairman: H.E. Mr. T.C. O'Brien

1. The International Dairy Products Council held its second session on 9 and 10 June 1980.
2. The Council adopted the following agenda:
 - A. Admission of observers under Rules 11 and 14 of the rules of procedure.
 - B. Review of the functioning of the Arrangement.
 - Report of the first sessions of the Committees of the Protocols.
 - Replies to questionnaire 4.
 - Replies to questionnaire 5.
 - C. Evaluation of the situation in and outlook for the world market for dairy products.
 - D. Other business.
- A. Admission of observers under Rules 11 and 14 of the rules of procedure

3. In pursuance of Rule 11 of the rules of procedure, the Council had to decide on the participation of representatives of Mexico and Panama as observers. The representative of the United States said that with respect to Mexico, consultations were under way and that subject to the completion of those consultations his delegation would agree to their participation. The matter should be left open and he might return to it after the end of those bilateral discussions. Taking account of this intervention, the Council invited representatives of Mexico and Panama to observe the proceedings of the present session, it being understood that this question might be taken up again at subsequent sessions of the Council.

4. Under Rule 14 of the rules of procedure, the Council was informed of the requests made by OECD and UNCTAD and agreed to invite representatives of those two organizations to follow the discussions at the current session as observers. The Chairman noted that it would be appropriate to consider in due course the possibility of inviting to the next session not only those organizations but also other international organizations such as FAO and the Economic Commission for Europe, even though the latter organizations had not made any specific request to that effect.

Review of the functioning of the Arrangement

Report of the first sessions of the Committees of the Protocols

5. The Council heard an oral report by the Chairman of the Committees of the Protocols on the implementation of the Protocol Regarding Certain Milk Powders, the Protocol Regarding Milk Fat and the Protocol Regarding Certain Cheeses. At their first sessions, the three Committees had examined, inter alia, the replies to questionnaires 1, 2 and 3 and had agreed that the Secretariat would establish, quarterly, summary tables showing some of the data furnished. Each of the three Committees had held a special meeting, with participation limited to signatories of the Arrangement, in order to discuss questions concerning the situation of contracts concluded prior to the entry into force of the Arrangement and the market situation for the products covered by each of the Protocols.

6. In that context, the observer for Canada recalled that he had furnished in good time replies to the questionnaires on the products covered by the Protocols. It had been decided, however, against Canadian objections, to discuss this information in restricted session to which observers were not to be admitted. In the event, his delegation had withdrawn from circulation the information it had furnished. The Canadian delegation would not submit any additional information, including any reply to questionnaires 4 and 5, before obtaining a precise indication as to whether it would have an opportunity to discuss it, even in a special restricted session. The observer for Canada noted furthermore that Rule 13 of the rules of procedure did not contain any definition as to participation in special sessions.

7. The representative of the European Economic Community pointed out that the rules of procedure which the Council had adopted, stipulated that the Council and the Committees could deliberate on confidential matters in special restricted sessions. It was essential for the proper functioning of the Arrangement that that rule be observed and it was therefore for the Committees to take such a decision regarding their own work. The EEC was

ready to consider, within the context of the Committees, non-discriminatory modalities regarding discussion of the information furnished to them. The representative of Argentina underlined the importance of observing the provisions of the Arrangement and avoiding any discriminatory treatment.

8. The representatives of the United States and Australia expressed the hope that the matter would be considered in an open spirit in the Committees and that a favourable solution could be found, because it was important for the work of the Committees to be able to discuss information regarding Canada. That view was shared by the representative of New Zealand, who underlined the role of information in any evaluation of the world market situation for dairy products.

9. With respect to questionnaires 4 and 5, which are within the purview of the Council, the representative of the European Economic Community suggested that the question of submission of Canadian replies might be settled directly by the Chairman and the Canadian delegation.

10. The representative of the United States recalled that, on the one hand, the interpretation of the Arrangement was solely the prerogative of the participants and that, on the other hand, the submission of data was unconditional, i.e. there was no condition attached to submitting data; it has been agreed that information could be submitted on a confidential basis.

11. Taking into account those remarks, and with the assent of the observer for Canada, the Council requested its Chairman to discuss with the Canadian delegation the question of its replies to questionnaires 4 and 5.

Replies to questionnaire 4

12. The Council took note of the replies to questionnaire 4 received by the secretariat. It was noted that some participants had communicated their reply to questionnaire 4 rather late. It was recalled that annual data under questionnaire 4 were to reach the secretariat not later than 2½ months after the end of the period concerned. The Council urged participants to forward to the secretariat their replies to questionnaire 4 within the agreed deadline.

Replies to questionnaire 5

13. The Council took note of the replies to questionnaire 5 received by the secretariat. It urged participants that had not yet communicated information under questionnaire 5 to do so without delay.

14. The Council examined questions regarding replies to questionnaires in the context of the next agenda item.

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

15. The Council had before it two documents prepared by the secretariat in pursuance of Article IV:1(a) of the Arrangement and Rules 29 and 30 of the rules of procedure, namely a status report on the world market situation for dairy products (document DPC/W/1) and a note on food aid operations relating to dairy products (document DPC/W/2).

16. It was decided that the status report on the world market for dairy products (DPC/W/1) would be brought up to date for the next session of the Council taking into account, in particular, the comments made during the present session of the Council. The status report would then be revised in accordance with the Council's comments and made available for wider circulation.

17. The representative of New Zealand made a general statement on the market situation for dairy products. Favourable climatic conditions for pasture growth, a wet summer and long warm autumn, had enabled milk production to increase during the recently concluded 1979/80 season. A new seasonal record had been established with provisionally 285,000 tons of milk fat being utilized for dairy manufacture. The trading environment for New Zealand dairy exports had improved markedly during the season as a consequence of the cuts in EEC export subsidies. That had enabled international prices to be moved up towards more realistic levels for all dairy products. The withdrawal of most countries, except New Zealand and the EEC, from major exporting rôles in the international market, continued to keep the international supply situation tight, while demand remained buoyant. Consequently, New Zealand had entered the winter off-season with tight stock levels, despite the record milk production. The international dairy situation during the coming year would depend to a large extent on the EEC maintaining domestic offtake through internal surplus disposal policies, especially for skimmed milk powder and butter. Provided surplus stocks of the EEC could be held down at the current moderate levels, EEC export subsidies and prices could be stabilized and a period of market price stability could occur, but the effect of the recent substantial price increases would need to be assimilated. It was expected that the EEC and New Zealand would become the only major dairy exporters, although Australia, Canada, and other European countries could continue in a minor rôle. That would reinforce the price-setting effect of EEC restitution levels. Provided untoward price increases did not occur, demand should remain firm, although balance-of-payments problems for some developing countries could affect imports. The demand for anhydrous milk fat for the recombining

trade, where price control often restricted end-product pricing, was relatively sensitive to pricing. The competition from vegetable oil as an anhydrous milk fat substitute should influence future anhydrous milk fat price movements, as too large a price margin could tip an irreversible shift to filled milk products. He informed the Council that the minimum spot prices per metric ton f.a.s. had now moved up to around US\$1,000 for skimmed milk powder, US\$1,250 for whole milk powder, US\$1,950 for anhydrous milk fat and US\$1,600 for salted butter. He concluded by stating that the recent increase in international price levels reinforced the need for a review in September 1980 of the existing minimum prices in the Arrangement.

18. The representative of the European Economic Community informed the Council that stocks of skimmed milk powder had been steadily declining in recent months and at 22 May 1980 had amounted to only 153,422 tons. At that same date, public stocks of butter stood at approximately 265,000 tons and private stocks at some 37,000 tons. Export prices per metric ton f.o.b. were in the region of US\$1,000 for skimmed milk powder, between US\$1,220 and US\$1,230 for whole milk powder, between US\$1,920 and US\$1,930 for anhydrous milk fat and between US\$1,750 and US\$1,800 for butter. During 1979 and the early months of 1980, international prices of the principal dairy products had been rising continually. In addition, the EEC and other exporters had recorded noteworthy increases in their dairy exports. The present situation in the international market for dairy products was satisfactory. While it was to be hoped that the situation would continue, the steady increase in prices of skimmed milk powder might contribute to reduce the quantities of powder used for animal feed. The Commission had just decided to reduce substantially the refunds for skimmed milk powder, milk fat and butter. That substantial reduction had followed an evaluation of the situation in the Community market for dairy products. Production of butter and skimmed milk powder had been declining in the first five months of 1980. In that same period, very small quantities of skimmed milk powder had been delivered to the intervention agencies, and the amount of butter entering stocks had been about 40 per cent below the level for 1979. In addition, the Community was carrying out its food aid commitments. Present stocks of skimmed milk powder were barely sufficient to meet the needs of the Community market, which could not be supplied entirely from the normal market. The decision to reduce substantially the refunds granted on exports of the principal dairy products would very probably have the result of halting exports to third countries.

19. Referring to the outlook for 1980, the representative of the European Economic Community said that milk deliveries to dairies might increase by 2 per cent to 2.5 per cent in 1980, as against an increase by 2.4 per cent in 1979. That production increase would probably not be followed by any increase in consumption. Fresh milk consumption seemed to have levelled off in the Community. Nevertheless, measures had been introduced to encourage consumption of fresh milk. Referring to the outlook for cheese, it was estimated that cheese consumption in the Community might increase by 1 per cent to 1.5 per cent or even 2 per cent in 1980. It was also estimated that butter consumption in the Community would continue in 1980 at the same level as in 1979, because special sales measures and consumption subsidies were still in effect in certain member States.

20. The representative of the United States said that the present situation in the market for dairy products seemed fairly stable. He wondered whether that situation was the result of contingencies or of any structural changes in that sector, and whether or not the market for dairy products would continue in equilibrium. He also asked whether the Council could identify any structural factors that had played a rôle in establishing better equilibrium in the market for dairy products.

21. With reference to the general question raised by the United States representative, the Chairman pointed out that in the secretariat document regarding the market situation (DPC/W/1) the question of the possible effects of the general economic situation on trends in the dairy products market in 1980 had been mentioned.

22. The representative of the European Economic Community noted that the current situation in the dairy products market was more favourable because of an improvement in sales possibilities both within and outside the Community. The market situation had likewise been satisfactory in late 1974 and early 1975. Shortly afterwards, however, there had been a market reversal so that in early 1976 the principal exporters of skimmed milk powder had had to resort to derogations in order to export skimmed milk powder for animal feed at extremely low prices. It was to be hoped that no such reversal would recur in future. To prevent any such development, participants in the Arrangement should report to each other any initial symptoms of a forthcoming crisis. In the view of his delegation, the exchange of information on production, variations in the level of stocks, and domestic disposal measures taken in order not to influence the international market corresponded to the objective of the Arrangement which was to achieve market stabilization and increasing expansion of world trade in dairy products on the basis of mutual benefit to exporting and importing countries. The EEC representative called for close surveillance of the situation in the world market and the market of each participant in order to allow rapid detection of the first symptoms of any crisis that might affect

international trade. It was to be hoped that in such a case the Council would succeed in defining solutions that could prevent the emergence of serious imbalance such as had affected international trade in skimmed milk powder a few years earlier.

23. With respect to probable trends in the market for dairy products, the representative of the United States said that production and consumption of milk and dairy products in the United States had recently been affected by certain developments totally unrelated to the dairy sector. Milk production in the first months of 1980 had been considerably greater than during the same period in 1979. Recent increases in production over year-earlier levels resulted from relatively large gains in output per cow and little change in milk cow numbers. The recent increase in milk cow numbers, when a decline was normal, reflected the favourable milk-feed price relations, as well as lower utility cow prices. The increased output per cow also reflected the quite favourable milk-feed price relationships of the preceding year. It was expected that for all of 1980 milk production could increase by 2 to 3 per cent over 1979. The production of butter, skimmed milk powder and cheese in the first quarter of 1980 had increased substantially as milk supplies had remained heavy. Per capita consumption of butter had slightly increased in recent months. However, stocks of butter were presently increasing. Per capita consumption of cheese would be stabilized or possibly decline in the coming months given the relative price advantages of poultry and pork meats. Commercial stocks of dairy products on 1 April 1980 reflected the large manufactured production and sluggish sales during 1980. Purchases of butter by the Commodity Credit Corporation (CCC) during January-April 1980 had been nearly four times greater than during 1979 for the same period. Purchases of skimmed milk powder by the CCC during January-April 1980 had been nearly six times larger than the preceding year.

24. The Chairman of the Protocols' Committee said that trade in fresh milk products seemed to have progressed very rapidly in 1979. Among the principal parameters that determined future trends in the market for dairy products, the most important one seemed to be a financial parameter. Thus, in the EEC the amounts allocated to the Commission by the member States to allow it to intervene in the internal and international markets was of very great importance for future trends in the dairy products market. The level of stocks was another parameter to be taken into consideration. In the principal producing countries substantial production increases had been reported. Moreover, the continuing

rise in prices of certain dairy products might discourage demand and lead to a market situation less favourable than the present one.

25. Referring to the general question raised by the representative of the United States, the observer of the OECD said that over recent years the buoyancy of cheese markets had been attributed to the general buoyancy of the economies. A reverse trend in the economies could probably affect the market for cheeses. Cheese consumption increased substantially in 1979 in line with the increased production and trade. However, in recent months the market for cheese was characterized by much more irregularity. Although the basic trends were upward, the consistency of these trends were very much less. In his view, the existing better situation in the market for dairy products was largely due to the efforts made by the EEC to reduce its stocks, particularly skimmed milk powder stocks. Important quantities of skimmed milk powder had been used internally for animal feed. The reduction in butter stocks was mainly due to the purchases by the USSR but these could not be relied on in the future. He noted that the size of stocks was an important factor in determining prices in international markets. Stocks of dairy products in the United States were beginning to increase. It was probable that stock levels within the EEC would rise over the coming months. The present situation of the market for dairy products was better but far from being solved.

26. The Chairman endorsed the views expressed by the representative of the EEC on the tasks of the Council and the co-operation between the participants to the Arrangement. He agreed that the Council should supply an early warning system on possible changes in the market for dairy products and ensure that the mechanisms of the Arrangement were used effectively.

27. The representative of Australia said that given an outlook in the mid-seventies that the state of world dairy trade was likely to continue to be chronically depressed for some time to come, his country had decided to implement measures designed to contract and rationalize its industry with a view to bringing production into line with, and, to provide a basis on which the industry could in longer term respond to, remunerative market outlets. Milk production had been reduced from 7,523 million litres in 1969/70 to about 5,400 million litres in 1979/80. There had also been a major change in the mix of dairy products, away from butter, skimmed milk powder and casein to cheese and whole milk powder. Exports of butter have fallen from 81,568 tons in 1969/70 to about 27,000 tons in 1979/80. Exports of cheese and whole milk powder, however, had increased from 40,841 to 63,000 tons and 15,326 tons to 68,000 tons respectively over the same period. He said that the upward trend in the prices of skimmed milk powder and butter had continued with tight supply conditions and diminishing stock reserves. Australian cheese and whole milk powder supplies for export were considered to be adequate and world prices for

both products were increasing. The general trend of declining milk production was expected to continue in 1980/81. It was anticipated that milk production would further decline by about 5 per cent in 1980/81. Production of skimmed milk powder, whole milk powder and buttermilk powder might respectively reach 35,000 tons, 65,000 tons and 5,000 tons in 1980/81. Exports of whole milk powder and buttermilk powder might amount to 48,000 tons and 4,000 tons respectively. Estimated production of butter and ghee in the 1980/81 season was expected to amount to 66,000 tons and exports were expected to reach 13,000 tons. Estimated production of cheese in the 1980/81 season was expected to amount to 155,000 tons and exports were expected to reach 65,000 tons.

28. The representative of Hungary said that dairy production in his country was intended to meet home consumption needs in the first place. Exports were effected only in order to utilize the quantity of home produced primary products exceeding internal needs, except for certain kinds of cheese which were traditionally exported. Milk production had increased at a slow rate in 1979. It was expected that this trend would continue in 1980. Two factors had influenced the increase in production, namely the import of special breeding animals of high yield and the increase in guaranteed prices paid to producers. Hungarian dairy consumption was characterized by the relatively high proportion of fresh milk consumption and the relatively low proportion of processed dairy products. Stocks of dairy products had been at normal levels for years. Hungary had exported 3,000 tons of butter in 1979. It was estimated that higher quantities of butter would be exported in 1980. It was expected that exports of cheese would amount to about 7,000-8,000 tons in 1980 as in 1979.

29. The representative of Sweden said that milk production in his country had increased continuously since 1971. The increase for 1980 was expected to be about 2.5-2.6 per cent. In the 1970's, the number of cows had declined by about 10,000 head a year. The improved average yield in the same period had been the main cause of increased production. The number of cows had suddenly increased by 3,000 head in 1979. It was expected that the increase in cow numbers would continue in 1980. Milk with a fat content of 3 per cent represented the main part of consumption of milk; however light milk and light sour milk with a fat content of 0.5 per cent had taken in the recent years an ever greater share of the market. Presently this share seemed to have stabilized at a level of around 36 per cent. Demand for cheese in the domestic market had been gradually increasing inter alia as a result of the price freeze introduced in 1973. This had led to substantial increases in imports, stimulated by temporary reductions in import levies. Per capita consumption of cheese had amounted to

about 13 kgs. in 1979 as compared to about 9 kgs. in 1970. Total consumption of cheese had increased by 5.5 per cent in 1979. It was expected that consumption of cheese would increase by 5 to 10 per cent in 1980. It was expected that consumption of butterfat would increase slightly in 1980.

30. The representative of Norway said that in his country a two-price system on milk, the "bonus system" had been implemented from 1977. In 1977 and 1978 milk production had been stabilized. In 1979 milk deliveries had increased by approximately 2 per cent. A further increase by approximately 2 to 3 per cent was forecast for 1980. In the Norwegian food policy the aim was to increase the consumption of skimmed milk at the expense of whole milk. Because the total consumption of milk fat could not be reduced, the consumption of butter had to be increased at the expense of the consumption of margarine. Cheese consumption per capita had increased considerably to reach 12 kgs. in 1979 as compared to about 10 kgs. in 1975. It was expected that cheese consumption per capita would continue to increase in 1980 and reach approximately 12.5 kgs. It was estimated that cheese exports in 1980 would remain unchanged as compared to the exports in 1979.

31. The representative of Finland said that milk production in his country had increased by 0.5 per cent in 1979 to reach 3,242,000 tons. Per capita consumption of fluid milk products declined slightly in 1979 to reach 276 kgs. as compared to 279 kgs. in 1978. Per capita consumption of butter increased by 4 per cent in 1979 to reach 12.2 kgs. It was forecast that per capita consumption of butter would remain unchanged in 1980. Due to a possible decline by 4 per cent forecast in the production of butter, exports might decrease to about 9,000 to 12,000 tons in 1980 as compared to 17,000 tons exported in 1979. It was estimated that whole milk powder production would increase in 1980 to reach some 30,000 tons. It was expected that production and consumption of cheeses would increase in 1980 while exports might remain unchanged as compared to their level of 38,000 tons in 1979. He informed the Council that Finland had effected deliveries of cheese amounting to a few hundred tons as food aid.

32. The representative of Switzerland noted that in most producing countries cheese production was rising more rapidly than milk production. That was the case in Switzerland because producers were required to participate in losses incurred in connexion with the disposal of certain dairy products, and it was in their interest to produce more cheese which sold at a relatively high price in the domestic and international markets. He wondered whether in other countries measures were taken to encourage cheese production.

33. In reply to the representative of Switzerland, the representative of New Zealand pointed out that his country's dairy industry was characterized by the farmers' total control over the processing and marketing of dairy products. The only income of the Dairy Board was the income resulting from the sale of dairy products. If it appeared that cheese would continue to be in keen demand in the next few years, New Zealand's dairy industry would respond to that market signal.

34. The observer of Canada said that in his country attempts had been made under the Supply Management Programme to bring supply and demand in balance. As a result of this programme it was expected that in 1980 the supply and demand balance would continue. Milk deliveries in 1980 were showing an upward trend which might result in a production increase of about 5 per cent. It was, however, expected that this increase would be partly absorbed by the fluid milk sector. The consumption of partly skimmed milk was increasing in Canada. This trend should result in a decrease in the production of skimmed milk powder. Under the support programme butter was not purchased in the winter months. This encouraged the processors to divert the milk into the cheese sector. Exports of skimmed milk powder had fallen significantly in 1979 and reached 93,000 tons as compared to 167,000 tons exported in 1977. On the contrary, exports of evaporated whole milk had increased substantially in 1979 and amounted to some 69,000 tons as compared to some 20,000 tons exported in 1977. It was expected that in 1980 exports of evaporated whole milk would continue to increase. He informed the Council that Canadian stocks of skimmed milk powder had been declining continually and at the beginning of the second quarter of 1980 amounted to only 10,000 tons.

35. The observer for the OECD made an appraisal of the present situation of the market for dairy products. Current trends in milk production were less uniform than in the recent past. Cow numbers in the EEC had ceased to rise. Adverse weather conditions had sharply depressed end-of-season output levels in the Southern Hemisphere. In North America, production was well up on last year and support purchases were already being made on a larger scale in the United States. Cheese production trends were no longer uniformly upwards. The skimmed milk powder situation was similar to that of butter, production falling in a number of countries but still increasing in the largest producers. The improved stock position continued to give additional strength to prices on the international market especially for skimmed milk powder.

36. The representative of the European Economic Community answered several questions concerning the information furnished by the EEC in response to questionnaire 5 (DPC/INV/1/Add.2). In response to a question concerning relationships between the target price for milk and threshold prices, he said that the threshold price was the lowest price at which the product coming from third countries could enter the EEC market. Threshold prices constituted protection for the target price for milk and an instrument through which market supplies could be ensured at a price level corresponding to the target price for milk. Replying to a question concerning the system of premiums for slaughtering and reconversion, he explained that in the Community farmers who undertook either to have their dairy cows slaughtered or to switch from dairy production

to beef production could receive an aid in an amount varying with the effect on valorization or production of milk. Under the system currently in force in the Community, some 85,000 dairy farms representing 1 million dairy cows had received such aids.

37. The representative of Austria supplied information regarding domestic policies and trade measures in his country. The Market Regulation Law provided the allocation of individual target quotas for milk producers. These quotas took into account milk deliveries in recent years and the development of domestic demand. The price of the dairy produce was subject both on the producer's and consumer's side to a governmental price regulation. The central managing board was the Austrian "Dairy Fund" which had been created with a view to securing a rational supply, processing and distribution of milk and dairy products within the given price levels. The Fund was entrusted, inter alia, with control of production and sales and with equalization of prices and transport costs. The Fund was supervised by the Government. With regard to measures at the frontier he said that imports of dairy products made of cow's milk were subject to equalization amounts levied by the Dairy Fund instead of customs duties. This levy charged on importation was designed to balance the difference between free-at-frontier prices and prices of the comparable home products which were fixed. However, there were bound duties setting a ceiling on variability of the levy. Imports of fresh milk, preserved milk and butter were subject to import licensing. Imports of cheese and casein were liberalized.

38. The representative of Switzerland said that following the introduction as from 1 May 1977 of a system of individual quotas for milk deliveries, the latter had initially declined by 2 per cent, and had then increased again, by about 3 per cent in 1978 and 1.5 per cent in 1979. An increase of approximately 1 per cent was expected for 1980. The increase in deliveries to dairies in the past three years was due to the following reasons. The quota system did not apply to farmers in certain mountain regions. Furthermore, the tax charged on deliveries in excess of the quota was not high enough. Lastly, in certain cases quota increases had been granted. In 1980, measures had been taken to prevent any continuing development of deliveries. Those measures included an increase in the tax charged for deliveries in excess of the quota. Other measures were currently under study.

39. Referring to Finland's reply to questionnaire 5, distributed in document DPC/INV/1/Add.1, the representative of the European Economic Community noted that in Finland the price of margarine was increased by a consumption tax. In that country, therefore, the relationship between the price of butter and that of margarine had apparently remained constant in the sense that if the

price of butter increased, the price of margarine was raised by a corresponding amount. At its next session the Council might perhaps discuss the question of relationships existing between vegetable fats such as margarine and butter. In addition, participants might prepare to examine, at the next session, prices of those two products and to review any measures taken in the various countries to ensure a more balanced price relationship with a view to promoting butter consumption.

40. Referring to the question of the relationship between vegetable fats and oils and dairy products raised by the representative of the EEC, the representative of the United States suggested that it might be useful and helpful if the secretariat could prepare a document showing the results of the studies which had been made on the cross price elasticity between margarine and butter fat.

41. The representative of the European Economic Community drew the attention of the Council to a problem concerning cheese consumption. At the present time, several cheeses traditionally manufactured and exported by certain countries were being imitated in other countries and sold under the same designation. Efforts had been made in other organizations to clarify the question of cheese designation. These efforts had proved inadequate, however. It might perhaps be useful for the Council to discuss the designation of cheeses. If some order could be established in that field, cheese consumption might continue to increase.

42. The representative of New Zealand suggested that at its next session the Council might consider the question of the relationships existing between butter and margarine, changes in production and consumption of cheese, and changes in the sector of fresh milk and fresh milk products.

43. The secretariat (Mr. Lucq) noted that under the provisions of the Arrangement it had to prepare numerous documents in order to help the organs of the Arrangement to carry out their functions. If the secretariat was to be able to carry out that task efficiently, two conditions would have to be fulfilled. Firstly, it was essential that participants communicate their replies to the various questionnaires within the agreed dead-lines. Secondly, it was essential that the secretariat have the necessary financial resources to be able to carry out its task. On the latter point, it was pointed out furthermore that the staff responsible for servicing the Arrangement were too few in number and the Council's attention was drawn to the need for additional staff. An appeal was made to participants who were also members of the GATT Committee on Budget, Finance and Administration to urge that Committee to grant the necessary resources to the secretariat so that the Arrangement could be administered properly.

44. The Chairman expressed the view that in the light of the statement by the secretariat (Mr. Lucq), the Council should probably abstain for the time being from entrusting any additional work to it. He hoped that the appeal made by Mr. Lucq would be heard. With respect to topics that the Council might identify with a view to discussion, several delegations suggested that participants should prepare for a discussion on the topics mentioned. They could furnish additional information on those topics, which the secretariat would then circulate.

45. The Chairman suggested that the Council might agree that at its next session participants would come prepared to discuss, in particular, the question of fresh milk and fresh milk products. This proposal was made for two reasons. Firstly, because information available in these areas was limited. Secondly, fresh milk and fresh milk products were not subject to the provisions of the Protocols annexed to the Arrangement. The Chairman suggested also that participants should pay particular attention to fresh milk and fresh milk products when replying to the questionnaires or supplying additional information to the secretariat.

46. The Council agreed to include in the agenda of its next session, inter alia, a thorough discussion of the question of fresh milk and fresh milk products.

D. Other business

47. Distribution of documents

The Chairman informed the Council of the following arrangements for distribution of documents. The Council's and Committees' reports, when adopted, would be circulated to all participants as well as to observers. These documents would be available to all contracting parties on request. Any amendment to the provisions of the Protocols, decided by the Committee under the specific rules of the Arrangement, (i.e. as regards the minimum prices or the Register of processes and control measures) would be notified to all participants and interested non-signatories. After a session, the Chairman of the Council or the Chairman of the Committees might issue, under his own responsibility, a concise note on the meeting which would also be communicated to all participants and interested non-signatories. Working papers, as well as replies to the questionnaire, would be circulated to all participants and be available to observers on request. When the need for confidentiality would arise, documents would have a restricted circulation.

48. The status report on the world market for dairy products, brought up to date for the next session of the Council, would be revised in accordance with the Council's comments and made available in the course of October, for wider circulation than that referred to above.

49. The Council took note of these arrangements.

Date of next session

50. The date of the Council's next session will be fixed by the Chairman in consultation with the participants.