

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
DPC/F/12
6 April 1982

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

EIGHTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Milk Fat held its eighth session on 17 December 1981.

Adoption of the agenda

2. The Committee adopted the following agenda:
1. Adoption of the report on the seventh session
 2. Information required by the Committee:
 - (a) Replies to Questionnaire 2
 - (b) Summary tables
 - (c) Other information
 3. Review of the market situation for products covered by the Protocol
 4. Adoption of report to the Council
 5. Other business.

Adoption of the report on the seventh session

3. The Committee adopted the report on its seventh session with an amendment submitted by the representative of Switzerland. The report will be circulated as document DPC/F/11.

Information required by the Committee

(a) Replies to Questionnaire 2

4. The Committee reviewed the replies to Questionnaire 2 and requested members which had not yet communicated information for the third quarter of 1981 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 2 relating to the fourth quarter of 1981 should reach the secretariat not later than 15 March 1982.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/F/W/1/Rev.7) prepared under Rule 28 of the Rules of Procedure and covering the information furnished in Table A of Questionnaire 2 regarding anhydrous milk fat and butter. That document also contained a table showing exports of butter by destinations (for the years 1979 and 1980). Reference was made to the difficulties encountered in preparing tables showing exports by region, in particular the fact that the data furnished by certain participants mentioned only one or two countries of destination or gave only a breakdown by regions. For the data in the table to be more detailed, it would be desirable to have a breakdown of exports by countries of destination, reported in metric tons if possible. The Committee considered that more time was needed to examine the tables which could be included in the status report. It decided to revert to the matter at its next session, and took note of document DPC/F/W/1/Rev.7.

(c) Other information

6. At the Council session on 1 October 1981, it had been suggested that the Committees might give particular attention to the question of food aid at their first sessions in 1982. Participants were requested to give detailed replies to the sections of the questionnaires regarding food aid operations, so as to enable the secretariat to prepare more comprehensive tables and furnish a firmer and broader basis for the discussions that the Council was required to carry out under the Arrangement, in particular regarding programmes envisaged.

7. The Committee decided to give particular attention to the question of food aid at its next session.

Review of the market situation for products covered by the Protocol

8. The representative of the European Economic Community said that production of butter and anhydrous milk fat in the eleven first months of 1981 had dropped back by 2.4 per cent in relation to the corresponding period of 1980. Consumption of those products in 1981 was likely to be about 1.5 per cent below the 1980 level. Public stocks of butter had totalled only 9,000 tons at 10 December 1981 as against 140,000 tons one year earlier. Also on 10 December 1981, private stocks had stood at 175,000 tons as against 140,000 tons on 10 December 1980. Butter exports were expected to continue at the same level in 1981 as in the preceding year, while exports of

anhydrous milk fat might show a decline. The quantities of anhydrous milk fat furnished as food aid would probably total 48,000 tons (in terms of butter equivalent) in 1981, while corresponding deliveries of butter would probably reach 4,650 tons. Community operators could currently export butter at prices between US\$2,380 and US\$2,425 per ton f.o.b. Some small-scale butter sales were currently being made. Anhydrous milk fat could be exported at between US\$2,815 and US\$12,870 per ton f.o.b., but the Community was not currently engaged in any such operations. Prevailing prices in the market were currently between US\$2,500 and US\$2,700 per ton f.o.b.

9. The representative of New Zealand said that the market was currently firm, with strong demand in particular from the Middle East and Eastern Europe. International prices were likewise continuing firm.

10. The representative of Japan noted that production and consumption of butter had been stable in the past two years. Nor had there been any noteworthy variations in butter stocks which at 30 September 1981 had been at the level of 28,000 tons, equivalent to five months' domestic consumption. Given the supply and demand situation, imports of butter had ceased since 1978 except for small quantities intended for special uses.

11. The representative of Hungary said that in the three first quarters of 1981 output and domestic consumption of butter had been virtually equivalent to the figures for the corresponding period of 1980. Butter production was expected to remain stable in 1981 in relation to the preceding year. Stocks at 1 October 1981 were slightly below their level one year earlier. Following contracts signed with certain Middle Eastern countries, butter exports could be up in 1981 to around 13,000 to 14,000 tons.

12. The representative of Bulgaria said that butter output had increased slightly in the third quarter of 1981 in relation to the corresponding period of 1980. For 1981 as a whole, production could be expected to show a slight increase to approximately 22,000 tons as against 20,800 tons in 1980. Bulgaria had exported no butter in 1981 and stocks had continued at a low level (2,400 tons at 30 September 1981).

13. The representative of Austria said that butter production in the ten first months of 1981 had slightly exceeded that in the corresponding period of 1980. Over that same period of 1981, domestic consumption had shown a decline of the

order of 1.7 per cent in relation to the preceding year. Nevertheless, it was not currently possible to forecast a consumption decline for 1981 as a whole since in November 1981, 4,000 tons of butter had been sold in the domestic market at reduced prices. At 15 November 1981 stocks had been at a normal level of about 1,400 tons.

14. The representative of Australia stated that over the four-month period July-October 1981 production and exports of butter had reached 29,608 tons and 1,511 tons respectively. Butter production was currently declining in Australia and as a result exports between July and December 1981 were expected to be slightly less than 3,500 tons and for the period January to June 1982 to continue below that level. Export prices were currently in the vicinity of US\$2,300 per ton f.o.b.

15. The representative of the European Economic Community recommended that, in order to facilitate comparability of data furnished at sessions of the Committee, delegations should make an effort to furnish information based on calendar years.

16. The representatives of Australia and New Zealand said that they would do their best to ensure comparability of the statistical data furnished and for this data to be based on calendar years.

17. The representative of Sweden said that butter production in 1981 was expected to continue at the same level as in 1980 and 1979. Some increase in output was likely in 1982.

18. The representative of the United States said that uncommitted inventories of butter held by the Commodity Credit Corporation (CCC) and commercial stocks on 30 September 1981 had totalled 222,000 tons compared with 138,000 tons on 30 September 1980. CCC's net purchases of butter from 1 October 1980 through 30 September 1981 had been 356,500 million lb. (approximately 162,000 metric tons) as compared to 233 million lb. (approximately 106,000 metric tons) purchased in the same period a year earlier. With regard to the general market situation for butter, the representative of the United States said that world butter output for 1981 at 6 million metric tons was only slightly below 1980, and prospects for 1982 were for only a slight gain. Meanwhile, use would likely decline more than butter output during 1981. Thus, ending stocks were expected to increase with most of the gain in the United States. Counter to the world decline in 1981 production, United States butter output was expected to be up about 8 per cent, reflecting the sharp rise in raw milk available.

19. The representative of Romania said that butter output in the three first quarters of 1981 had increased in relation to the corresponding period of 1980. For the year as a whole, however, it was estimated that production would be below the preceding year's level. Imports had dropped back sharply in the third quarter of 1981 in comparison with the preceding quarter, and were expected to continue at a low level in the fourth quarter of the year. Consumption and stocks had declined in the third quarter of 1981 in relation to the preceding quarter, and the downward trend was expected to continue to the end of the year.

20. The representative of South Africa said that butter output in the third quarter of 1981 had been virtually equivalent to that in the preceding quarter. Domestic consumption of butter had dropped back substantially in the third quarter of 1981 in relation to the preceding quarter, following an increase by about 12 per cent in retail prices. Both output and consumption of butter were likely to show an increase in the fourth quarter of 1981. End-of-year stocks might show a slight increase.

21. The representative of Finland said that butter production in 1981 was expected to remain at the same level as in 1980, around 74,000 tons. Total domestic consumption might show a slight increase in 1981 to some 59,000 tons as against 57,000 tons in 1980. Exports of butter were expected to show an increase by about 3,000 tons in 1981, reaching approximately 14,000 tons, the principal export market being the USSR. A decline by about 5 per cent in butter production was forecast for 1982, in which year domestic consumption was expected to continue stable while exports were expected to decline to a level in the vicinity of 11,000 tons.

22. The representative of Norway said that following an increase in milk production, output of butter was expected to show an increase by about 5 per cent in 1981. Domestic consumption of butter would probably be down by about 10 per cent in 1981 because of price increases at the beginning of the year. Butter exports in 1981 could total some 2,500 tons of which 1,600 tons delivered to the USSR. It was expected that in 1982 the butter market in Norway would be in balance.

23. The representative of Switzerland said that butter production in 1981 was expected to continue at the same level as in 1980, while imports could reach 12,400 tons.

24. The observer of Canada said that production of creamery butter in 1981 was expected to be about 110,000 tons, a 7 per cent increase from 1980. Domestic consumption of butter was estimated at 107,000 tons, a decline of

1 per cent from a year earlier. Stocks of butter on 1 January 1982 were estimated at about 18,000 tons, up from 14,600 tons a year earlier. He added that no appreciable change in butter production or consumption was forecast for 1982. An aggressive butter advertising and promotion programme financed by dairy farmers was expected to maintain butter consumption in 1982 at 1981 levels. Margarine advertising, which greatly intensified in 1981, would probably continue in 1982 and might offset some of the benefits from the butter advertising.

Adoption of report to the Council

25. In pursuance of Article VII:2(a) of the Arrangement and under Rule 22 of the Rules of Procedure, the Committee adopted its report to the Council on the work of its eighth session; the report will be distributed as document DPC/F/10.

Other business

Dates of coming sessions

26. At the fifth session of the Council, it had been proposed that, as for the 1981 sessions, preliminary dates should be set for the 1982 sessions and confirmed at the December 1981 sessions of the Committees. The following dates were agreed upon for 1982:

29-31 March 1982,

- the Council to meet on 1 and 2 April 1982 -

21-23 June 1982,

27-29 September 1982,

- the Council to meet on 30 September and 1 October 1982 -

15-17 December 1982.

It was agreed that, if their work permitted, the Committees could hold their sessions over a two-day rather than a three-day period. The March sessions (29-31 March 1982), will begin with the session of the Committee of the Protocol regarding Milk Fat. The opening date of the session (29 or 30 March 1982) is to be confirmed later by the secretariat after consultation with delegations.