

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

DPC/F/16

4 January 1983

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

ELEVENTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Milk Fat held its eleventh session on 27, 28 and 30 September 1982.

Adoption of the agenda

2. The Committee adopted the following agenda:
 1. Adoption of report on the tenth 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. Review of the level of minimum prices for products covered by the Protocol
 5. Establishment of a group of experts - proposal by New Zealand
 6. Other business

Adoption of report on the tenth session

3. The Committee adopted the report on its tenth session, which will be circulated as document DPC/F/15.

Information required by the Committee

(a) Replies to Questionnaire 2

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

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/F/W/1/Rev.10) 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. Document DPC/F/W/1/Rev.10 also contained a table showing butter exports by destination (years 1980-1981). In addition, as decided by the Committee at its session in June 1982, the secretariat had included in that document a summary table on consumption of butter. The Committee took note of document DPC/F/W/1/Rev.10.

(c) Other information

6. No other information was requested.

Review of the market situation for products covered by the Protocol

7. The representative of Australia said that production of butter in 1981/82 had amounted to 76,400 tons of which 7,500 tons had been exported. It was anticipated that production of butter in 1982/83 would remain stable and that some 17,000 tons would be available for export. Present export prices were around US\$2,200 to US\$2,250 per metric ton f.o.b.

8. The representative of Japan said that stocks of butter at the end of the second quarter of 1982 had amounted to 16,000 tons as compared to 29,000 tons at the end of the second quarter of 1981. He informed the Committee that some 3,000 tons of butter might be imported in the fourth quarter of 1982 in order to stabilize domestic market prices.

9. The representative of New Zealand said that his country intended to reduce production of butter and anhydrous milk fat in 1982/83. He noted that the market for butter was sensitive and limited. He hoped that the United States would continue to behave responsibly with regard to exports of dairy products. He informed the Committee that New Zealand's supply position with regard to butter and anhydrous milk fat continued to be tight. However, currency fluctuations had caused some price weakening.

10. The representative of the United States informed the Committee that at 24 September 1982 government stocks of butter had been at a level around 185,600 tons, the average age of those stocks being 365 days. It was anticipated that output of butter would remain relatively stable in 1983 as a result of the new dairy programme designed to bring milk production into balance with consumption.

11. The representative of the EEC underlined that keen concern was being felt over the considerable quantity of stocks of dairy products held by the United States. It was to be hoped that in the future the United States would continue to endeavour to avoid any disruption of the international market.

12. The representative of Switzerland said that butter output was expected to show a decline by about 12 per cent in the third quarter of 1982, with an increase by some 60 per cent in imports in relation to the corresponding quarter of 1981. Total butter imports for the year 1982 were forecast as around 15,000 tons.

13. The representative of Sweden said that in the first six months of 1982 production of butter had increased slightly while consumption had slipped back somewhat. Exports in the second quarter of the year had reached 6,000 tons, the principal destinations being the USSR and Switzerland. In the second quarter of 1982 average export prices had reached US\$2,213 per ton.

14. The representative of Norway said that in the first half of 1982 production and consumption of butter had been up by 3 per cent and 17 per cent respectively in relation to the corresponding period of 1981. Butter exports were expected to be in the vicinity of 3,500 tons in 1982, as against 2,800 tons in the preceding year.

15. The representative of Finland said that the expected decline in milk output in 1982 would affect production of butter which could be around 68,000 tons in 1982, as against 72,000 tons in 1981. Butter exports could drop back considerably in 1982 to some 9,000 to 10,000 tons, as against some 15,000 tons in 1981. In the first six months of 1982 export prices had been around US\$2,500 per ton f.o.b.

16. The representative of Poland said that butter output could be about 2 per cent down in 1982 to some 217,000 tons. Per capita consumption of butter, which remained high in Poland, had been on average 8.7 kg. to 8.9 kg. between 1978 and 1981. In 1982, however, that consumption could drop back to a level around 7.9 kg. because of a sharp decline in imports, which could total only about 20,000 tons in 1982, as against some 69,000 tons in 1981. It was possible that, in 1983, Poland would not be able to import butter.

17. The representative of Hungary said that in the second quarter of 1982 imports of butter had been nil whereas they had reached 6,700 tons in the corresponding period of 1981. Exports of butter had likewise dropped back very substantially in the second quarter of 1982, reaching 100 tons, as against 6,900 tons in the corresponding period of 1981.

18. The representative of the EEC said that butter output for 1982 as a whole was forecast at 2,078,000 tons (including 38,000 tons of farm butter). Imports of butter (including inward processing traffic) were expected to be around 110,000 tons in 1982. A certain quantity of butter imported under IPT arrangements was re-exported in another form. Taking account of total stocks (147,000 tons at 1 January 1982), total availabilities in 1982 would be around 2,335,000 tons. Aggregate internal consumption was expected to reach 1,620,000 tons and exports of butter and anhydrous milk fat in 1982 were forecast at 375,000 tons (in terms of butter equivalent). Total stocks

at the end of 1982 could be around 340,000 tons, comprising 130,000 tons of public stocks and 210,000 tons of private stocks. At 16 September 1982, public stocks had been at a level of 56,000 tons while private stocks had totalled 327,000 tons. Export prices were currently in the region of US\$2,125 to US\$2,175 per ton f.o.b. for butter, and between US\$2,410 and US\$2,475 per ton f.o.b. for anhydrous milk fat.

19. The observer for Canada said that butter stocks, totalling some 35,000 tons at 31 July 1982, had been above their level one year earlier. Output in the 1982/83 season was forecast as being up 0.6 per cent to a level between 120,000 and 121,000 tons. Domestic consumption was also forecast to follow the same upward trend.

Review of the level of minimum prices for products covered by the Protocol

20. In accordance with Article 3:3 of the Protocol, the Committee reviewed the level of the minimum prices for products covered by the Protocol. The Committee had before it proposals by New Zealand and Australia to increase the minimum prices (see documents DPC/P/W/8, DPC/F/W/7, DPC/C/W/7, DPC/P/W/10, DPC/F/W/9, DPC/C/W/9). No consensus was reached on a modification to the minimum prices.

21. The representative of New Zealand believed that the increases proposed in the minimum prices were justified. His authorities would be very disappointed that the decision to adjust minimum prices had not been taken. He pointed out that market conditions were not quite as firm as they had been a year earlier, particularly in respect of skimmed milk powder and that that understandably had made it more difficult for some participants to agree to adjustments in the minimum prices. He noted that almost all participants had been prepared apparently to rally to a compromise. He emphasized the importance for the future of the Arrangement that all participants appreciate fully the need for a spirit of compromise if the Arrangement was to be effective and to retain its credibility as an instrument capable of contributing to the stability of the international trade in dairy products.

22. The representative of Australia said that his delegation was very disappointed that the decision to increase minimum prices had not been taken. He believed that the increases proposed in the minimum prices were justified. His delegation was concerned that the market might interpret that situation as a signal of a loss of confidence which would lead to a weakening in prices. His delegation was even more concerned that the market might interpret that situation as a sign that those countries holding large stocks of dairy products, particularly the United States, were about to unload a fairly sizeable amount of dairy products onto the world market. He underlined that the Australian dairy industry was already very concerned about indications in some markets, particularly the Japanese market, that buyers were becoming a little hesitant, in the expectation that a vast amount of dairy products would be available for them at distress-type prices. His delegation thought that it would be possible to some degree to

retrieve that situation. For that reason, his delegation hoped that the United States would make another clear and very firm statement of its intentions about disposal of its surpluses and about the general international requirements concerning the disposal of such surpluses on concessional terms. He concluded his statement by emphasizing the importance of co-operation and a responsible attitude by participants for maintaining international market stability.

Establishment of a group of experts - proposal by New Zealand

23. It was noted that this agenda item had been examined in the Committee of the Protocol Regarding Certain Milk Powders.

Other business

Report to the Council

24. The Committee agreed that an oral report on its discussions at the current session would be presented to the Council.

Date of next session

25. In accordance with the preliminary calendar, it has been decided that the Committees will hold their twelfth sessions consecutively on 15, 16 and 17 December, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Milk Fat will be followed by the session of the Committee of the Protocol Regarding Certain Milk Powders, then the session of the Committee of the Protocol Regarding Certain Cheeses.