

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED  
DPC/F/18  
30 March 1983

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

TWELFTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Milk Fat held its twelfth session on 15 December 1982.

Adoption of the agenda

2. The Committee adopted the following agenda:
1. Adoption of report on the eleventh 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 report on the eleventh session

3. The Committee adopted the report on its eleventh session. The report will be distributed as DPC/F/16.

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 in respect of the third quarter of 1982 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 3 relating to the fourth quarter of 1982 should reach the secretariat not later than 15 March 1983.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/F/W/1/Rev.11) prepared under Rule 28 of the Rules of Procedure and covering the information furnished in Tables A and B of Questionnaire 2 regarding anhydrous milk fat and butter. The Committee took note of document DPC/F/W/1/Rev.11.

(c) Other information

6. No other information was requested.

Review of the market situation for products covered by the Protocol

7. The representative of the United States recalled that the Secretary of Agriculture had been authorized to implement a 50-cent deduction for all milk marketed. The deduction had gone into effect on 1 December 1982. He informed the Committee that the Secretary of Agriculture had indicated in a recent speech before the National Milk Producers Federation's Annual Meeting on 30 November 1982, that if the 50-cent deduction failed to cut production, other measures would have to be taken. He stressed that the Administration was very serious about getting the dairy situation under control. In reply to a question concerning the disposal of surplus stocks, he recalled the statements made by his delegation at the previous sessions, namely that with respect to commercial exports his country intended to adopt a responsible attitude. If any sales were made, they would be at world prices. Several possibilities for disposing of surplus stocks were currently under study, but no decision had yet been taken. He informed the Committee that the domestic disposal programmes of dairy products to the needy had been extended until December 1983. The Administration was also working to implement a distribution programme to the needy abroad. With respect to butter, the situation had not essentially changed since the previous session. He pointed out that, unfortunately, production and stocks of butter were still growing. At 12 November 1982 government stocks of butter had been at a level around 183,000 tons. It was estimated that stocks could reach 247,000 tons at the same time next year. It was anticipated that output of butter might decline slightly in 1983 as compared to 1982.

8. The representative of the United States forwarded to the secretariat for circulation the text of the remarks prepared for delivery by the Secretary of Agriculture before the National Milk Producers Federation's Annual Meeting on 30 November 1982. This text will be circulated as document DPC/P/W/12, DPC/F/W/11, DPC/C/W/11.

9. 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.

10. The representative of Switzerland said that in the first nine months of 1982 milk deliveries had been down about 2 per cent in relation to the corresponding period of 1981. In October and November 1982 milk production had been at the same level as one year earlier. It was estimated that in 1983 milk deliveries would probably reach the quota ceiling of 3.1 million tons, i.e. slightly above the 1982 level. Production of butter could total some 32,800 tons in 1982, i.e. about 5 per cent less than in 1981. Butter imports had increased and could reach 15,300 tons in 1982. In that year, butter consumption was expected to be at the same level as 1981.

11. The representative of Sweden said that milk deliveries to dairies were increasing. It was estimated that milk production in the 1982/83 season would be up about 5 per cent in relation to the preceding season, due mainly to improved yield. Since the present agricultural policy did not aim at surplus production in the dairy and meat sectors, a package of measures aiming at limiting production had been agreed upon. As already reported, the measure regarding abandonment of delivery additions for producers aged sixty-five years or more had taken effect on 1 July 1982. From 1983, non-production grants would be paid to dairy farmers sixty to sixty-five years of age. Preparations were also being made for the introduction of a two-price system for milk within six to twelve months. Measures had also been taken to increase prices for high-protein feeding-stuffs in order to further limit livestock and meat production. In the consumption side, Swedish consumers were facing a situation of falling real income. On the other hand, during 1981 to 1982, consumers price subsidies for a number of basic foods including dairy products had been reduced. In 1982, consumption of fresh milk had remained stable while fermented products had registered an increase of 5 per cent. Cheese and milk fat consumption had increased respectively by 3 per cent and 1 per cent in 1982 as compared to 1981. On 8 October 1982, the Swedish currency had been devalued by 16 per cent; a corresponding increase in the Swedish export prices for dairy products had been put into effect immediately after the devaluation. With regard to butter, she estimated that production was likely to increase somewhat in 1982. Consumption of pure butter had decreased in 1982 but an increase had been noted in the consumption of "Bregott", a variety of edible fat containing about 80 per cent butterfat and 20 per cent vegetable oil in the fatty substance. Exports of butter had increased in 1982, the main destinations being the USSR, Switzerland and the Federal Republic of Germany. Average export prices of butter for delivery in December 1982 had been slightly above US\$2,100 per ton f.o.b.

12. The representative of Norway estimated that milk production would show an increase by 2 to 3 per cent in 1982. With respect to butter, output in 1982 could be up about 4 per cent, while exports could total about 3,500 tons as against 2,800 tons in 1981.

13. The representative of Finland said that butter exports in 1982 were likely to reach the same level as in 1981, i.e. around 15,000 tons, the principal destination being the USSR. Prices of butter exports to that country had been in the region of US\$2,150 per ton in the fourth quarter of 1982.

14. The representative of South Africa said that as a result of increased milk production, output of butter had risen in the three first quarters of 1982. Consumption of butter had substantially declined in the third quarter of 1982 due to stocktaking in the previous quarter. It was estimated that consumption would revert to a more normal level of about 4,000 tons in the fourth quarter of 1982. Stocks were expected to increase to around 3,300 tons by the end of the fourth quarter of 1982.

15. The representative of Poland said that butter production had remained stable in the third quarter of 1982 in relation to the corresponding period of 1981. In that same quarter, exports had been nil while imports, exclusively from the United States, had reached only 750 tons and had been at the price of US\$1,655 per ton.

16. The representative of Australia said that milk production for the 1982/83 season was currently forecast at 5,180 million litres, a marginal decrease as compared to the previous season. However, if the current dry conditions showed some improvement milk production could reach some 5,250 million litres in the current season. With regard to butter, he estimated that some 17,000 tons would be available for export in 1982/83. Export prices in the third quarter of 1982 had been around US\$2,125 to US\$2,220 per metric ton f.o.b.

17. The representative of Hungary said that a slowing down in the growth rate of milk production had been noted in the second half of 1982. The production of butter in the first three quarters of 1982 had declined by 3.6 per cent in relation to the corresponding period of 1981. A slight reduction in consumption and stocks had also taken place. Butter imports had been nil in the three first quarters of 1982, while exports had dropped back substantially in relation to the corresponding period of 1981. It was expected that production, consumption, imports and exports of butter would not register any substantial change in 1983.

18. The representative of Japan said that milk production had increased by 1.1 per cent in the period January to September 1982 in relation to the corresponding period of 1981. With regard to butter he pointed out that stocks at the end of the third quarter of 1982 had amounted to 17,000 tons as compared to 28,000 tons at the end of the third quarter of 1981. He informed the Committee that 3,000 tons of butter had been imported in October and November 1982 in order to stabilize domestic market prices.

19. The representative of New Zealand said that manufacturing milk production for the 1981/82 season ended 31 May, had increased slightly (about 1.8 per cent) in relation to 1980/81. At this stage, output for 1982/83 was projected to increase under 2 per cent on 1981/82. Based on this milk output, the export production for 1982/83 was projected to result in a marginal increase in butter production and a decline in anhydrous milk fat output; skimmed milk powder production would decrease and accordingly casein output would be expanded during the current season; cheese production should again expand along with the export production of

whole milk powder. With respect to butter international prices which had been between US\$2,200 and US\$2,400 per ton f.o.b. in the first quarter of 1982 had eased in the third quarter of 1982 to the range of US\$2,150 to US\$2,200 per ton f.o.b. Import demand, mainly from the USSR, had remained strong. Stocks of butter held by the EEC were at moderate levels and the planned increase in domestic disposal programmes could help to maintain this position. Currently, both supply and demand factors would indicate that the present prices for butter of around US\$2,150 to US\$2,200 per ton f.o.b. could be sustained into the first quarter of 1983. With respect to anhydrous milk fat, he pointed out that due partly to the deterioration in world economic conditions and its effects on developing countries, import demand had slackened further in the fourth quarter of 1982. Export prices had declined from between US\$2,400 to US\$2,500 per ton in the middle of 1982 to between US\$2,200 to US\$2,300 per ton towards the end of the fourth quarter of 1982. Any further decline in price levels was not anticipated at this stage.

20. The representative of the EEC noted that according to certain reports, New Zealand was currently exporting butter and anhydrous milk fat at US\$2,100 and US\$2,200 per ton respectively, i.e. with a price differential of only US\$100 per ton between the two products. He could understand that the technical coefficient of 1.22 was not entirely applicable in trade, given that anhydrous milk fat was subject to competition from other animal or vegetable fats. Nevertheless, his delegation considered that the price differential between the two products was too small. In view of the fact that skimmed milk powder was currently being sold at a low price, there could be some downward pressure on prices of whole milk powder which was one of the products to which the EEC attached particular importance since it offered better possibilities for valorization of milk.

21. The representative of New Zealand said that international prices of anhydrous milk fat were under some pressure. He agreed that the low margin existing between the present prices of anhydrous milk fat and butter might affect whole milk powder prices.

22. The representative of the EEC said that butter output for 1982 as a whole was forecast at 2,080,000 tons. Imports of butter (including inward processing traffic) would be around 120,000 tons in 1982. Thirty thousand tons of butter imported under IPT arrangements would be re-exported. Taking account of total stocks (147,000 tons at 1 January 1982), aggregate availabilities in 1982 would be around 2,347,000 tons. Internal consumption was expected to reach 1,620,000 tons, of which 1,383,000 tons at market prices, 50,000 tons at reduced prices under the "Christmas butter" scheme and 187,000 tons at reduced prices in the context of other special disposal measures. Exports of butter and anhydrous milk fat produced in the EEC were estimated at 395,000 tons (in terms of butter equivalent) in 1982. Stocks at the end of 1982 could total 300,000 tons. Taking into account the current conversion rate between the US\$ and the ECU (US\$1 = ECU 1.049), export prices were between US\$2,130 and US\$2,170 per ton f.o.b. for butter, and between US\$2,420 and US\$2,470 per ton f.o.b. for anhydrous milk fat.

23. The observer for Canada informed the Committee that on 6 December 1982, the Canadian Milk Supply Management Committee had decided to reduce the total Market Share Quota by 2 per cent. This reduction followed an earlier reduction of 2.7 per cent which had been implemented on 1 August 1982. Moreover, in order to offset reduced returns on dairy product exports, levies paid by producers had been significantly increased. It was expected that these measures would result in significant reduction in milk production. It was estimated that total sales of milk and cream might amount to 7,440 million litres in the 1982/83 dairy year (beginning on 1 August 1982), down slightly on the previous dairy year. With regard to butter, he estimated that output in the 1982/83 dairy year might fall by 2 per cent to a level around 118,000 tons. Domestic consumption was expected to fall by more than 2.6 per cent in 1982/83 in reaction to an increased difference between the retail prices of butter and margarine. Stocks of butter which had been at 35,329 tons on 1 August 1982 had reached 38,800 tons by 1 November 1982 and were expected to increase to some 50,000 tons by 1 August 1983.

#### Adoption of report to the Council

24. Pursuant to Article VII:2(a) of the Arrangement and in accordance with Rule 22 of the Rules of Procedure, the Committee adopted its report to the Council. That report, on the Committee's twelfth session, will be distributed as DPC/F/17.

#### Other business

##### Special meeting

25. The Committee was informed that at the special meeting that the Committees had held on 15 December 1982, it had been agreed that additional information would be useful for the survey of government measures to expand domestic consumption of dairy products. A document on this subject will be circulated as DPC/P/W/11, DPC/F/W/10, DPC/C/W/10. Delegations interested in that work have been invited to communicate information to the secretariat before 1 May 1983. The information will be examined at a meeting to be held on the occasion of either the June 1983 or the September 1983 sessions of the Committees.

##### Dates of next meetings

26. At the seventh session of the Council it was proposed that, as for the 1982 sessions, a preliminary calendar should be established for 1983 and

provisional dates adopted at the December 1982 session of the Committee.  
The following dates have been agreed for 1983:

- 21 to 23 March 1983,
- the Council to meet on 24 and 25 March 1983 -
- 27 to 29 June 1983,
- 26 to 28 September 1983,
- the Council to meet on 29 and 30 September 1983 -
- 15 to 16 December 1983.

It was agreed that, to the extent their work permitted, the Committees could hold their sessions in two days instead of three. At the March sessions for which the dates 21 to 23 March 1983 have been scheduled, the session of the Committee of the Protocol Regarding Certain Cheeses will be followed by the session of the Committee of the Protocol Regarding Milk Fat and then the session of the Committee of the Protocol Regarding Certain Milk Powders. The opening date of the session of the Committee of the Protocol Regarding Certain Cheeses (21 or 22 March 1983) will be confirmed by the secretariat after consultation with delegations.