

GENERAL AGREEMENT ON TARIFFS AND TRADE

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

FOURTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Certain Milk Powders held its fourth session on 17 December 1980.

Adoption of the agenda

2. The Committee adopted the following agenda:
1. Adoption of the agenda
 2. Adoption of report on the third session
 3. Information required by the Committee:
 - (a) Replies to Questionnaire 1
 - (b) Summary tables
 - (c) Other information
 4. Review of the market situation for products covered by the protocol
 5. Adoption of report to the Council
 6. Other business.
3. Opening the session, the Chairman welcomed Romania as a new signatory to the International Dairy Arrangement.

Adoption of report on the third session

4. The Committee adopted the report on its third session. The report will be circulated as document DPC/P/5.

Information required by the Committee

(a) Replies to Questionnaire 1

5. The Committee reviewed the replies to Questionnaire 1 and requested members which had not yet communicated information for the third quarter of 1980 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 1

relating to the fourth quarter of 1980 should reach the secretariat not later than 15 March 1981.

6. The representative of New Zealand recalled that in his country's replies to the questionnaires the data on stocks concerned exportable commercial stocks. His country did not maintain any governmental support stocks. He also reminded the Committee of his earlier suggestion that participants give a clear definition of their stocks of dairy products when replying to the questionnaires.

7. The representative of the EEC asked the representative of New Zealand what New Zealand meant by "exportable stocks".

8. In reply, the representative of New Zealand said that domestic consumption was low in his country. Some small stocks were maintained for domestic consumption but only in negligible quantities. The major part of production was intended for export. The exportable stocks were, therefore, relevant from the aspect of international trade.

9. The representative of Finland said that stock figures communicated in reply to questionnaires 1 to 3, were for wholesale stocks of central co-operatives and central companies of dairies.

(b) Summary tables

10. The Committee was informed that in accordance with Rule 28 of the Rules of Procedure, the secretariat had prepared summary tables incorporating the data provided in Table A of Questionnaire 1 in respect of skimmed milk powder and whole milk powder. The Committee had before it a document containing revised summary tables (DPC/P/W/1/Rev.3). The Committee took note of that document.

(c) Other information

11. The representative of Australia raised the question of certain triangular food aid transactions to Sri Lanka. His government was in particular concerned about transactions involving whole milk powder of New Zealand origin and provided by Japan as food aid to one of Australia's few remaining commercial markets. At the instigation of the Australian Dairy Corporation which had raised the question with Japan, that country had confirmed that letters had been exchanged with Sri Lanka for a food aid transaction of whole milk powder originating in New Zealand. He pointed out that his government would see this question as raising two particular concerns. Japan continued to source its food aid on dairy products solely from New Zealand thus discriminating against Australia. This could have consequent implications for the normal pattern of trade of recipients of food aid and other markets in the East Asian Region. In addition, he noted that neither the Council nor the Committee had been informed of those food aid transactions as they should have been under the provisions of the International Dairy Arrangement.

12. The representative of Japan said that, unfortunately, he currently had no information from his government regarding Japan's food aid in the form of dairy products. His delegation would inform the government of the concern expressed by the Australian representative.

13. It was recalled that mention had already been made of the need for the Council and the Committees to have the fullest possible information regarding all food aid transactions. The hope was expressed that the Council and the Committees could have the maximum information concerning such operations.

Review of the market situation for products covered by the protocol

14. The representative of Romania said that the milk powder produced in his country was all intended for domestic consumption and none was exported. Milk production for the year 1981 was forecast at 56,300,000 hectolitres of cow's milk as against total production of 54,285,000 hectolitres in 1978 (of which 50,863,000 hectolitres of cow's and buffalo's milk). He gave some information regarding support measures applied in his country in respect of milk production. Concerning measures at the frontier, the customs duties on milk powder were at the rate of 50 per cent. Romania did not apply any quantitative restrictions nor any other restrictive or protectionist measures on imports.

15. The representative of New Zealand made a general statement on the market situation. Favourable climatic conditions during the first part of the 1980/81 season had enabled New Zealand milk production to increase on previous year's levels. However, it was still too early to judge what the total season's milk production would be. Probabilities would indicate a decline from last season's record level which had resulted from exceptional climatic conditions. The significant reductions in the level of European Community export subsidies over the last year, and the reduction in surplus stocks had enabled international market prices to firm substantially in recent months. Speculative prefixation of export subsidies was still causing some price instability. With the recent reduction in export subsidies for butter and anhydrous milk fat in general, and the reduction to zero for exports to USSR, the pressure for forward prefixation for these products may have been abated somewhat. With regard to milk powders he said that demand for skimmed milk powder from traditional markets was firm and supply was tight. For the major continuing trades, New Zealand established an export price at around US\$1,050-US\$1,070 per metric ton f.a.s. level, although pricing had now moved up to US\$1,100 per metric ton f.a.s. level. For whole milk powder, New Zealand pricing had been around US\$1,450-US\$1,500 per metric ton f.a.s. level.

16. The representative of the European Economic Community informed the Committee that production of skimmed milk powder in 1980 was expected to remain at the preceding year's level; on the other hand, production of semi-skimmed milk powder might be up by approximately 8 to 9 per cent and a larger increase, of the order of 30 to 33 per cent, was expected for whole milk powder (with 26 per cent fat content). Stocks of skimmed milk powder totalled 232,439 tons at 11 December 1980; by 31 March 1981 they were expected to have declined to approximately 150,000 to 160,000 tons. Export prices per metric ton f.o.b. were between US\$1,050 and US\$1,100 for skimmed milk powder and between US\$1,450 and US\$1,500 for whole milk powder. International trade in milk powders was fairly active, in particular in whole milk powder. The international market continued fairly firm. That development in the international market was mainly due to strong import demand from OPEC countries where school milk programmes had been set up. Demand from the OPEC countries could be expected to continue to develop. In conclusion, the export situation in 1980 could be considered satisfactory in general.

17. The representative of Australia said that milk production for the year to the end of October 1980 was 5 per cent down on the same period to the end of October 1979. The general trend of declining milk production was expected to continue in 1980/81. It was anticipated that milk production would further decline by 4 to 5 per cent in 1980/81. Exports of skimmed milk powder were expected to reach some 11,000 tons in the current 1980/81 season. Export prices were in the vicinity of US\$1,050 to US\$1,200 per metric ton f.o.b. It was furthermore expected that exports of whole milk powder would reach some 48,000 tons in 1980/81. Export prices were around US\$1,450 per metric ton f.o.b. He pointed out that the market for milk powders was remaining firm.

18. The representative of the European Economic Community said that, according to certain reports, Mexico was planning to import some 180,000 tons of skimmed milk powder in 1981. If that was so, several exporters could supply the Mexican market. He also wondered whether there had been any recent exports to Mexico.

19. The representative of the United States said that while he had no detailed information on sales by his country to the Mexican market, there had recently been reports of a sale of skimmed milk powder to Mexico; he had no information, however, as to the volume of the transaction, nor the relevant price. With respect to probable trends in the market for dairy products, the representative of the United States said that for all of 1980 milk production could increase by 3 per cent over 1979, reaching some 57,863,000 tons, the largest milk production on record. The number of milk cows on 1 August 1980 had been 10,864,000. It was anticipated that in 1981 milk production might

increase further but at a lower rate than in 1980. The support price for milk had reached US\$13.10 per 100 lbs. in October 1980. There had been little change in the sales of fluid milk. Consequently, more fluid grade milk had been diverted for manufacturing. All the milk which had been diverted had been used in producing more butter and more cheese. As a consequence of the increase in the production of butter, skimmed milk powder output had been up 28 per cent during July-August 1980 as compared to the previous year. The commercial disappearance of skimmed milk powder had been 37 per cent lower in the second quarter of 1980 than in the corresponding quarter of 1979. Because of the sluggish sales, purchases of skimmed milk powder by the Commodity Credit Corporation (CCC) during January-September 1980 had been 180 per cent higher than during January-September 1979. Stocks of skimmed milk powder held by the CCC on 30 September 1980 had amounted to 249,000 metric tons.

20. The representative of the European Economic Community expressed his concern regarding the level of skimmed milk powder stocks in the United States and the possible impact on the world market of any intensive application by the United States of Public Law 480 in order to dispose of those stocks which had amounted to 249,000 tons at the end of September 1980.

21. The representative of New Zealand also expressed concern regarding United States stocks of skimmed milk powder which were a burden on the market. In the view of his delegation, programmes for domestic disposal of those stocks seemed to have peaked. He wondered how those stocks could be reduced in the current situation.

22. The observer of Canada said that Canadian skimmed milk powder production, in 1980, estimated at 115,000 tons had decreased slightly from the 1979 level, despite an increase of 3 per cent in butter output. This reflected the smaller amounts of skimmed milk associated with manufacturing butter as the result of the skim-off of butterfat from whole milk, increased demand for partly skimmed milk, and increased utilization of skimmed milk in cheese manufacturing. Total domestic demand for skimmed milk powder, which was difficult to determine accurately because of statistical distortions, was estimated at 50,000 tons, down 3.7 per cent from 1979 levels. Domestic demand for skimmed milk powder in consumer-size packages which had continued to decline since 1975, was expected to be down moderately from the 12,400 tons consumed in 1979. Total skimmed milk powder stocks on 1 January 1981 would likely be about 22,000 tons. Most of the stocks held by the Canadian Dairy Commission had been committed for export. Export prices were around US\$1,000 per ton.

23. The representative of Hungary said that milk production might show an increase of about 5 per cent in 1980 to approximately 2,500,000 tons, as a result of increased yield. Domestic consumption of milk had also increased,

though more slowly than production. Output of skimmed milk powder in the three first quarters of 1980 had totalled 29,800 tons, i.e. about 30 per cent over the level for the corresponding period of 1979. As a result of that substantial increase in production, exports in the three first quarters of 1980 had reached 7,900 tons after having been nil in the same period of 1979. It was estimated that in the five coming years milk production could increase at an annual rate of 2 per cent because of increased yield. It had also been estimated that milk consumption would increase more rapidly than production, so that in coming years it was unlikely that Hungary would be exporting skimmed milk powder.

24. The representative of the European Economic Community said that according to certain reports, Venezuela, which was an importer of whole milk powder and semi-skimmed milk powder, had imported less than usual in the current year. It would seem that for certain reasons Venezuelan imports would continue to decline in the coming months. He enquired whether participants could furnish any information on the subject. His delegation was aware of the need for discretion regarding contracts in the process of completion. Nevertheless, he hoped that within the Committee, delegations could furnish a maximum of trade information that was not published.

25. The representative of Switzerland said that milk deliveries in the course of the milk year (ending on 31 October) had fallen off by 0.6 per cent and the decline might be the same for the calendar year. Production of skimmed milk powder and whole milk powder had fallen off by 6 and 3 per cent respectively in the three first quarters of 1980 in relation to the corresponding period of 1979. Exports of skimmed milk powder, which had totalled 5,000 tons in the three first quarters of 1980, might reach some 6,200 tons for the year as a whole. In the early months of 1981, skimmed milk powder exports would probably reach 1,000 to 2,000 tons. Imports of whole milk powder in the three first quarters had remained stable, whereas exports, at some 2,000 tons had been slightly above the level for the corresponding period of 1979.

26. The representative of Austria said that according to forecasts total milk supply in 1980 would increase by 2.9 per cent in his country. It was estimated that total milk supply would continue to increase in 1981 to reach some 2,320,000 tons. In the three first quarters of 1980, production of skimmed milk powder increased by 27 per cent while total domestic consumption and exports had declined by 9 and 28 per cent respectively. In the fourth quarter of 1980 and the early months of 1981, exports were expected to increase. Production of whole milk powder had remained stable in the three first quarters of 1980 in relation to the corresponding period of 1979. Total domestic consumption and exports had declined in the first three quarters of 1980 by 4 and 24 per cent respectively as against the corresponding period of 1979.

27. The representative of Finland said that exports of whole milk powder were expected to be in the region of 30,000 tons in 1980 but might decline in 1981 to around 25,000 tons. Those exports were almost exclusively to the USSR.

28. The representative of Japan said that the production of skimmed milk powder had rapidly increased year by year from fiscal year 1976 reflecting the demand and supply situation of fresh milk. However, recently production had shown a little decrease as a result of measures to adjust the milk production. In the first three quarters of 1980, production of skimmed milk powder had declined by about 8 per cent in relation to the corresponding period of 1979. Production of whole milk powder was virtually stable at around 30,000 tons each year. The importation of skimmed milk powder except for special purposes is under control of the Livestock Industry Promotion Corporation (LIPC) in order to ensure the proper functioning of the price stabilization system for dairy products. Imports of skimmed milk powder by the LIPC had been stopped since fiscal year 1977. Imports of skimmed milk powder for animal feed purposes and school lunch had been constant. Import share of skimmed milk powder for animal feed purposes from the EEC had increased. Reflecting the demand and supply situation of dairy products, stocks of skimmed milk powder had increased and at the end of September 1980 they had amounted to 83,000 tons.

29. The representative of South Africa said that skimmed milk powder production in 1980 had been estimated at some 21,200 tons as against 18,600 tons in 1979. Consumption was expected to rise to approximately 19,700 tons in 1980. End-of-year stocks at 31 December 1980 might also be up, at around 7,400 tons. Production of whole milk powder in 1980 might reach 11,250 tons, i.e. 2,400 tons more than in 1979. Stocks of whole milk powder were low and consumption in 1980 was expected to be stable.

30. The representative of Norway said that milk production might show a 3 per cent increase in 1980. In that year and probably in 1981, production of whole milk powder was expected to cover domestic market requirements. With respect to skimmed milk powder, production might have increased by about 9 per cent in 1980. Exports were expected to be very low in 1981.

31. The representative of Argentina said that exports of milk powders had ceased while imports, in particular of whole milk powder, had increased considerably in 1980.

Adoption of the report to the Council

32. In pursuance of Article VII:2(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committee adopted its report to the Council. That report, on the work of the Committee's fourth session, will be distributed as document DPC/P/4.

Other business

Dates of coming sessions

33. At the third session of the Council, it had been proposed that a preliminary programme be set for the 1981 sessions, and that provisional dates be adopted at the December 1980 session of the Committees. It was agreed that the 1981 sessions would take place on the following dates: 30 March to 3 April 1981, 17 to 19 June 1981, 21 to 25 September 1981, and 16 to 18 December 1981. The Committee will therefore hold its next regular session on 30 March 1981, subject to confirmation by the secretariat. It also decided that the second, third and fourth regular sessions would take place respectively on 17 June 1981, 21 September 1981 and 16 December 1981, subject to confirmation by the secretariat.