

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
DPC/P/9
6 October 1981

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

SIXTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Certain Milk Powders held its sixth session on 19 June 1981.

Adoption of the agenda

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

Adoption of the report on the fifth session

3. The Committee adopted the report on its fifth session with an amendment to a statement by the representative of New Zealand. The report will be circulated as document DPC/P/8.

Information required by the Committee

(a) Replies to Questionnaire 1

4. The Committee reviewed the replies to Questionnaire 1 and requested members which had not yet communicated information for the first quarter of 1981 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 1 relating to the second quarter of 1981 should reach the secretariat not later than 15 September 1981.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/P/W/1/Rev.5) prepared in accordance with Rule 28 of the Rules of Procedure and incorporating the data provided in Table A of Questionnaire 1. The Committee took note of the document.

(c) Other information

6. The Committee was informed of the results of the meeting of experts held on 17 June 1981 to examine in particular the adequacy of the questionnaires concerning the various products. It noted in particular that stress had been laid on the importance of being able to have the most precise and complete possible data concerning stocks. It also noted that in Table A, under "Total exports", mention should be made of the quantities furnished as food aid. It further noted that the exchange rate used in reporting the value of imports and exports as well as prices in international trade should be indicated. The model of Questionnaire 1 would be circulated in the three working languages as document DPC/P/W/3.

Review of the market situation for products covered by the Protocol

Discussion concerning consumption of skimmed milk powder

(a) Current market situation and outlook

7. The representative of New Zealand said that the market for skimmed milk powder remained firm and supply was tight, with low stocks in most exporting countries. As for butter, there were high surplus stocks in the United States. Prefixation of export subsidies were not, however, currently as great a problem as with butter and anhydrous milk fat. The current EEC export price was weakening in response to the strengthening of the US dollar. For major continuing trade, New Zealand current export price for skimmed milk powder was around US\$1,060 per metric ton f.a.s. For whole milk powder, international trade was continuing to grow. There was some uncertainty in a major import market, Venezuela, where domestic import policy changes had held up trade. As for skimmed milk powder, currency changes were tending to weaken EEC export prices. New Zealand pricing had continued around US\$1,450 per ton f.a.s. New Zealand's production of skimmed and whole milk powder in the first half of 1981 could be expected not to vary significantly from the levels of the first half of 1980.

8. The representative of the European Economic Community estimated that skimmed milk powder production for the first eighteen weeks of 1981 had risen over the corresponding period of 1980. Skimmed milk powder production for 1981 as a whole was expected to increase by possibly 2.5 to 3 per cent over 1980. There were indications, however, that skimmed milk powder exports in 1981 would not reach the record levels of the previous two years. In the

view of his delegation, the prices prevailing on the world market were clearly too high for use of skimmed milk powder for animal feed. The skimmed milk powder being exported at present was used mainly for direct consumption and for reconstitution. Community stocks of skimmed milk powder currently amounted to some 220,000 tons and were still at relatively low levels. Offer prices of skimmed milk powder were around US\$1,040 per ton f.o.b. As to whole milk powder, he estimated that exports, which had expanded rapidly between 1978 and 1980, would continue to rise in 1981. On the other hand, exports of condensed milk, which had increased in 1980, might show a decrease in 1981. Offer prices of whole milk powder were around US\$1,420 per ton f.o.b. He observed that, at current prices, demand for skimmed and whole milk powder continued strong.

9. The representative of Australia said that production of skimmed milk powder was expected to reach 64,000 tons for the 1980/81 season. Production of butter milk powder might increase in the 1980/81 season to reach 6,000 tons. This increase was the result of the recent increases in butter production to ensure supplies for the domestic market. Export prices of skimmed milk powder were of the order of US\$1,060 per metric ton f.o.b. It was expected that exports of skimmed milk powder and butter milk powder in the 1980/81 season would reach some 18,000 tons. With respect to whole milk powder, he said that the market remained firm. Export prices of whole milk powder were around US\$1,450 per metric ton f.o.b. Production and exports of whole milk powder in 1980/81 were expected to be in the vicinity of 70,000 tons and 54,000 tons respectively.

10. The representative of the United States said that production of skimmed milk powder during January-April 1981 had increased by 18 per cent in relation to the corresponding period in 1980. Stocks of skimmed milk powder had increased sharply in the course of 1980, reaching 267,000 tons at the end of the year, and had continued to develop in early 1981, to a level of 287,000 tons at 31 March 1981.

(b) Discussion concerning consumption of skimmed milk powder

11. As agreed at its March session, the Committee proceeded to hold a discussion on the consumption of skimmed milk powder.

12. The representative of the European Economic Community said with regard to disposal of skimmed milk powder that, as in the case of butter, the Community gave absolute priority to measures on the internal market in spite of the fact that they were more costly than export refunds. He listed the main actions which had been taken to promote the consumption of skimmed milk powder. Direct aid for skimmed milk powder to be used in the feeding of calves amounted to ECU 56 per 100 kgs., or 42 per cent of the market price. The quantities of skimmed milk powder used for processing into milk feeding-stuffs were of the order of 1.25 to 1.30 million tons, or more than

60 per cent of the Community's production of skimmed milk powder. Aid was also granted for liquid skimmed milk to be used in animal feed. The subsidy paid for liquid skimmed milk to be used in the feeding of calves amounted to ECU 5.7 per 100 kgs. and the subsidy granted for liquid skimmed milk to be used in the feeding of pigs amounted to ECU 7.5 per 100 kgs. The subsidies granted for liquid skimmed milk to promote its use in the animal feed sector were of the order of 52 to 70 per cent of the price of liquid skimmed milk. Those subsidies applied to quantities of 4.5 to 5 million tons of liquid skimmed milk, i.e. the equivalent of approximately 400,000 tons of skimmed milk powder. Aid for the processing of liquid skimmed milk into casein currently amounted to ECU 5.2 per 100 kgs., which represented about 45 per cent of the product's value. That subsidy applied to quantities of approximately 4 million tons of liquid skimmed milk, i.e. the equivalent of some 370,000 tons of skimmed milk powder. In addition to those permanent measures to promote disposal of skimmed milk powder, special measures in the "pigs and poultry" compound-feeds sector could be taken, if the situation of stocks so required. Thus, during the three years between 1977 and 1979, special measures had been taken for sales of skimmed milk powder at greatly reduced prices in the sector of compound feeds for pigs and poultry, such aid having sometimes exceeded 80 per cent of the product's price. Through those measures, the Community had succeeded in disposing of almost all the stocks overhanging the market so as to arrive at a state of balance. Present stocks of skimmed milk powder, which were around 220,000 tons, could not be regarded as surplus.

13. The Committee noted that a number of participants had not furnished information concerning measures taken to promote the consumption of skimmed milk powder. Consequently, it decided to continue the discussion at the next session.

Other business

Adoption of the report to the Council

14. In accordance with the terms of Article VII, paragraph 2(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committee adopted the report it must make to the Council. The report, covering the work of its sixth session, would be circulated as document DPC/P/7.

Date of the next session

15. Under the provisional calendar of meetings, the next sessions of the Committees and the Council were to be held from 21 to 23 September 1981 and on 24 and 25 September 1981, respectively. It was proposed that all of those sessions should be postponed by one week. Accordingly, the Committees would meet from 28 to 30 September 1981 and the Council on 1 and 2 October 1981, subject to consultations with the delegations and confirmation by the secretariat. Under the new calendar, the Committee of the Protocol Regarding Certain Milk Powder would hold its next session on 29 September 1981, subject to confirmation by the secretariat.