

This draft report will be submitted for adoption to the Committee of the Protocol Regarding Certain Milk Powders at its thirteenth session. The list of participants and observers is annexed.

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

TWELFTH SESSION

Draft Report

Introduction

1. The Committee of the Protocol Regarding Certain Milk Powders held its twelfth session on 16 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 I
 - (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 with an amendment communicated by the representative of the EEC. The report will be distributed as DPC/P/16.

Information required by the Committee

(a) Replies to Questionnaire 1

4. The Committee reviewed the replies to Questionnaire 1 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 1 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/P/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 1 regarding skimmed milk powder and whole milk powder. The Committee took note of document DPC/P/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 EEC said that output of skimmed milk powder and buttermilk powder was estimated at 2,190,000 tons and 50,000 tons respectively for the year 1982 as a whole. Taking into account total

stocks, which had been at the level of 371,000 tons at 1 January 1982 (of which 279,000 tons of public stocks and some 92,000 tons held by traders), total availabilities in 1982 would be around 2,611,000 tons. Internal consumption would total some 1,645,000 tons which could be broken down as follows: sales at market prices were estimated at 240,000 tons, sales at reduced prices for feeding calves would reach 1,320,000 tons and sales at greatly reduced prices for pig and poultry feed would total 85,000 tons. Aggregate exports were estimated at some 350,000 tons in 1982 (of which 150,000 tons as food aid). Total stocks would be at the level of 616,000 tons at the end of 1982 (of which 550,000 tons of public stocks and 66,000 tons of stocks held by traders). At 2 December 1982, public stocks of skimmed milk powder had stood at 568,000 tons. With respect to export prices, taking into account the current conversion rate between the US dollar and the ECU (US\$1 = ECU 1.049), calculated prices would be in the vicinity of US\$980 to US\$1,000 per ton f.o.b. for skimmed milk powder and around US\$1,400 to US\$1,425 per ton f.o.b. for whole milk powder. It was regrettable that certain exporters were offering skimmed milk powder at very low export prices. Thus, according to certain reports, Canadian offer prices or selling prices were at the level of US\$808 per ton f.o.b. Recent offer prices by New Zealand were reported at between US\$900 and US\$915 per ton f.o.b., while EEC offer prices had varied between US\$933 and US\$1,107 per ton f.o.b. according to the quality of the product.

8. The representative of Argentina said that in the third quarter of 1982, exports of skimmed milk powder and whole milk powder had increased, the main destinations being other Latin American countries. Stocks of those two products had recently been declining.

9. The representative of Australia estimated that some 44,700 tons of skimmed milk powder would be available for export in 1982/83, i.e. slightly down in relation to 1981/82. Some 40,000 tons of whole milk powder were expected to be available for export in 1982/83, i.e. 8,000 tons less than in 1981/82. Export prices in the third quarter of 1982 had been within the

range of US\$900 to US\$980 per metric ton f.o.b. for skimmed milk powder and between US\$1,400 and US\$1,430 per metric ton f.o.b. for whole milk powder. Some weakening of skimmed milk powder prices had been noted towards the end of that quarter. In the last months, Australia had been encountering increased price competition from other origins. At the moment, prices for both powders seemed to be trending down. The representative of Australia pointed out that the current stock levels of skimmed milk powder in the United States and the EEC reflected an increasing imbalance between supply and demand in this market. The success of measures that had been taken or were being envisaged for the internal disposal of those stocks would be of the utmost importance to the world market which was already facing strong price competition.

10. The representative of Hungary said that production of skimmed milk powder in the first three quarters of 1982 had declined by 1.5 per cent in relation to the corresponding period of 1981. In the same period, exports had increased due to reduced utilization of skimmed milk powder for animal feed purposes. It was expected that production, consumption, imports and exports of skimmed milk powder would not register any substantial change in 1983.

11. The representative of Japan said that imports of skimmed milk powder had increased in the three first quarters of 1982 to 72,000 tons, as against 56,000 tons in the corresponding period of 1981. Imports of skimmed milk powder for the year 1982 as a whole were estimated at between 98,000 tons and 100,000 tons, as against 83,000 tons in 1981.

12. The representative of South Africa said that output of skimmed milk powder had increased in the third quarter of 1982 following a rise in milk production. For the fourth quarter of the year, production and consumption of skimmed milk powder were estimated at 9,500 tons and 3,000 tons respectively. Stocks were expected to be up to around 16,600 tons by the

end of the fourth quarter of 1982. The Dairy Board was attempting to dispose of the surplus stocks locally and no exports were anticipated at this stage. A new subsidy scheme had been introduced on skimmed milk powder to ice-cream factories. That promotional programme might cover about 5 per cent of total consumption of skimmed milk powder; however, no evaluation of its success was possible at this stage.

13. The representative of Finland said that exports of whole milk powder, almost exclusively to the USSR, could be between 25,000 tons and 26,000 tons in 1982 as against 28,000 tons in 1981. The average export price had been US\$1,574 per ton f.o.b. in 1982. Under a new agreement signed with the USSR, Finland would export 25,000 to 30,000 tons of whole milk powder to USSR in 1983. The agreement did not contain price provisions and the exports would be effected at market prices. With respect to skimmed milk powder, stocks had increased following a decline in consumption for animal feed.

14. The representative of Norway said that the skimmed milk powder output went exclusively to domestic consumption, any surplus being disposed of in the animal feed market. Following an increase in stocks, measures would have to be taken in order to increase consumption for animal feed.

15. The representative of Poland said that output of skimmed milk powder had remained stable in the third quarter of 1982 in relation to the corresponding period of 1981, while net exports had been around 3,000 tons. Average export and import prices had been in the vicinity of US\$900 per ton.

16. The representative of Sweden estimated skimmed milk powder production as between 45,000 and 50,000 tons in 1982, as against 39,900 tons in 1981. Exports could reach 19,000 tons in 1982, up from 14,900 tons in 1981. Average export prices of skimmed milk powder for delivery in December 1982 had been around US\$817 per ton f.o.b.

17. The representative of Switzerland said that production of skimmed milk powder could decline to around 26,300 tons in 1982 as against 31,700 tons in 1981, while total domestic consumption could also show a reduction. With respect to whole milk powder, output was likely to reach 16,200 tons in 1982, slightly up in relation to 1981. Consumption could also show a slight increase, while imports and exports of the product were negligible.

18. The representative of the United States said that with respect to skimmed milk powder, the situation had not essentially changed since the previous session. Production was expected to show an increase in 1982 and the trend would probably continue in 1983, although at a slower rate. Government stocks of skimmed milk powder had been at the level of 534,000 tons at 30 September 1982 and could continue to increase to around 682,000 tons by 30 September 1983. With regard to the disposal of surplus stocks, he recalled the statements made by his delegation at earlier 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.

19. 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. In the Community, a very costly internal consumption promotion policy was being pursued in order to maintain equilibrium in the international dairy market. It was to be hoped that the United States would quickly take the necessary measures for domestic disposal of surplus dairy stocks and would continue to endeavour to avoid any disruption of the international market.

20. The representative of New Zealand said that export prices for whole milk powder had remained reasonably firm into the second half of 1982 in contrast to those of skimmed milk powder. Although international demand

for whole milk powder had remained firm, especially in certain oil-producing countries, there had been a slight over-production in some exporting countries and prices had eased marginally from a level of US\$1,400 to US\$1,450 per ton in the third quarter of 1982 to a level of US\$1,350 to US\$1,400 per ton in the fourth quarter of 1982. This recent easing of whole milk powder prices was considered to be temporary. With respect to skimmed milk powder, he said that during the second quarter of 1982, prices had been within the range of US\$1,000 to US\$1,060 per ton f.o.b. In the third quarter of 1982, prices had eased to between US\$950 to US\$1,000 per ton f.o.b. During the fourth quarter of 1982, prices declined to between US\$900 to US\$950 per ton f.o.b. He pointed out that throughout most of 1982, Canadian offers had been consistently below the level of all other main suppliers, especially for major tender business on the international market. Buying demand for skimmed milk powder on the international market during the last quarter of 1982 had eased due partly to depressed economic conditions and partly to buyers' anticipation that prices could ease further. In this respect, the extent of Canadian price activity was of direct relevance. The New Zealand Dairy Board had attempted to maintain skimmed milk powder prices at reasonable levels, reasonable for both buyer and seller, but determined price erosion by Canadians this year had obtained for them the lion's share of international tender trade and had contributed to a weakening in international prices. Having obtained such large sales it had been hoped Canadian 1982 surplus stocks would have been exhausted but in December 1982 Canada had participated in a Peruvian tender and had obtained nearly all of it by offering US\$100 per ton below all other suppliers. His authorities were therefore concerned to know what were the current and anticipated levels in short term of surplus Canadian stocks of skimmed milk powder as a reduction in Canadian price pressures could make it possible for the recent decline in skimmed milk powder prices to be arrested. With regard to the statement made by the representative of the United States he said that his delegation welcomed that if any sales were made by the United States they would be at world prices. He pointed out that any attempt to expand export disposals

for aid purposes must comply with the FAO "Principles of Surplus Disposal and Consultative Obligations". His delegation wished therefore to draw the attention of the representative of the United States to Article V:2 of the Arrangement. His authorities were not entirely convinced that present undertakings given in the FAO Consultative Sub-Committee on Surplus Disposal (CSD) can be considered satisfactory. Thus, the operating guidelines for the donation programme promulgated by the United States Department of Agriculture were not satisfactory as they did not appear to include provisions for full CSD notification and consultation, nor it seemed did they fulfil CSD criteria for what constituted an acceptable aid programme. His country was concerned that attempts by the United States to export quantities of surplus dairy stocks would create severe disruption of a limited international market. He asked the representative of the United States to make known the New Zealand concerns to his authorities.

21. The representative of the United States said that he would convey to his authorities the remarks made by the EEC and New Zealand representatives regarding disposal of stocks of dairy products.

22. The observer for Canada estimated that production and consumption of skimmed milk powder would amount respectively to some 152,000 tons and 47,400 tons in the 1982/83 dairy year. Stocks on 1 August 1982, had been at 60,840 tons and were forecast to decrease to some 45,000 tons on 1 August 1983. However, the outlook for stocks depended largely on the world market situation. Current Canadian export prices were around US\$850 per metric ton f.a.s. The observer for Canada had previously indicated his understanding that a transaction in Asia had taken place at a price lower than those quoted by Canada. He would convey to his authorities the remarks made by the EEC and New Zealand representatives.

Adoption of report to the Council

23. 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/P/17.

Other business

Special meeting

24. 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

25. 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.

ANNEX/ANNEXE/ANEXO

LIST OF REPRESENTATIVES - LISTE DES REPRESENTANTS -
LISTA DE REPRESENTANTES

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