

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

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED
Spec(83)23
25 April 1983

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

THIRTEENTH SESSION

Draft Report

Introduction

1. The Committee of the Protocol Regarding Milk Fat held its thirteenth session on 22 and 23 March 1983.

Adoption of the agenda

2. The Committee adopted the following agenda:
1. Election of the Chairman and Vice-Chairman
 2. Adoption of report on the twelfth session
 3. Information required by the Committee:
 - (a) Replies to Questionnaire 2
 - (b) Summary tables
 - (c) Other information
 4. Review of the market situation for products covered by the Protocol
 5. Other business

Election of the Chairman and Vice-Chairman

3. The Committee entrusted the chairmanship to the secretariat (Mrs. Francine Hubert); it did not elect a Vice-Chairman.

Adoption of report on the twelfth session

4. The Committee adopted the report on its twelfth session. The report will be distributed as DPC/F/18.

Information required by the Committee

(a) Replies to Questionnaire 2

5. The Committee reviewed the replies to Questionnaire 2 and requested members who had not yet communicated information in respect of the fourth quarter of 1982 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 2 relating to the first quarter of 1983 should reach the secretariat not later than 15 June 1983.

(b) Summary tables

6. The Committee had before it a document containing revised summary tables (DPC/F/W/1/Rev.12) 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.12.

(c) Other information

7. No other information was requested.

Review of the market situation for products covered by the Protocol

8. The representative of Argentina said that butter exports had totalled some 5,000 tons in 1982, with a pronounced increase in the last quarter of the year. Export prices were between US\$2,000 and US\$2,050 per ton f.o.b.

9. The representative of Australia said that production of butter in the six month period July to December 1982 had amounted to 59,250 tons of which 27,734 tons had been exported. It was estimated that in 1982/83 production would reach the level of 83,000 tons of which some 25,000 tons would be available for export. International prices of butter in the fourth quarter of 1982 had been between US\$2,125 and US\$2,200 per ton f.o.b.

10. The representative of Hungary said that production and consumption of butter had declined by about 3.5 per cent and 2 per cent respectively in 1982 in relation to 1981. Imports and exports of butter had also been down in 1982 from the preceding year's level. In the course of 1982, export prices had fluctuated between US\$2,300 and US\$2,563 per ton, free at Hungarian frontier.

11. The representative of Japan said that butter output had continued in 1982 at around the preceding year's level, while domestic consumption had increased. Imports of butter had risen to 5,400 tons in 1982.

12. The representative of the United States estimated that butter production would continue in 1983 at the 1982 level, or could drop back slightly. He informed the Committee that uncommitted Commodity Credit Corporation (CCC) inventories of butter which had been at the level of 183,000 tons at 30 September 1982 were projected to be around 204,000 tons at 30 September 1983. Increased domestic disposal programme activity had reduced the estimates of stocks at 30 September 1983 made at the end of 1982. Uncommitted CCC stocks of butter at 11 March 1983 had been at 193,500 tons. Domestic donations of butter had amounted to 62,000 tons in fiscal year 1982 and were expected to reach some 117,000 tons in fiscal year 1983.

13. The representative of New Zealand made a general statement regarding the market situation for dairy products. International demand remained hesitant due to the downturn in the world economy and the overhang of United States and EEC surplus stocks. International export prices had

shown signs of a marginal strengthening during December 1982 and January 1983 due to an increase in the value of European currencies against the US dollar. However, in January 1983 EEC export subsidies for butter, anhydrous milk fat, skimmed milk powder and whole milk powder had been increased to offset those currency movements. He informed the Committee that the product mix for export for 1982/83 season was not expected to change significantly from 1981/82. Export production of butter was forecast to increase marginally, compensating for a decline in manufacture of anhydrous milk fat, while whole milk powder production should again increase. Some reduction in skimmed milk powder manufacture was expected and accordingly casein output would expand. Cheese production was not expected to increase on 1981/82 levels. With regard to butter, the market continued to be overhung by significant and growing stocks in two major producers. His country hoped that further internal disposal measures would be implemented in order to bring the stocks to manageable levels. Current export prices were around US\$2,100 per ton f.o.b. for butter, and in the range of US\$2,350 to US\$2,400 per ton f.o.b. for anhydrous milk fat.

14. The representative of the EEC said that according to provisional data, butter production in 1982 had been above the 1981 level. Butter exports in 1982 had declined for the second consecutive year. Demand, in particular from the OPEC countries, had slackened. Because of weaker demand, the slow-down in the international butter trade could continue in 1983. He expressed concern over the current situation and foreseeable trend regarding butter stocks held by major producers. In the Community, public stocks of butter had increased rapidly to reach 278,336 tons at 17 March 1983; on that same date, private stocks had totalled 77,003 tons. With respect to export prices, taking into account the refund and the current conversion rate between the US dollar and the ECU, Community operators could offer prices in the region of US\$2,070 to US\$2,110 per ton f.o.b. for butter and US\$2,355 to US\$2,400 per ton f.o.b. for anhydrous milk fat. The Community was pursuing a responsible policy regarding exports in order to avoid any disruption of the international market.

Since prices offered by the Community were not competitive, exports had declined. According to certain reports, a sale of anhydrous milk fat had been made to Algeria at prices not corresponding to those which had been mentioned as being representative on the international market. It was to be hoped that other participants would adopt a responsible attitude in regard to exports and would take the necessary measures, in particular by making a special effort for domestic disposal of surplus stocks, in order to avoid any disruption of the international market.

15. The representative of the EEC recalled that in December 1980 export refunds had been suspended on sales of butter and anhydrous milk fat to certain East European countries, the USSR and Mongolia. Since 16 March 1983 the Commission of the European Communities had reintroduced refunds for all those destinations. For some destinations, however, certain conditions had to be fulfilled, in particular regarding pre-fixing of the refund. It was now possible that the Community might again be able to export butter to the USSR. As far as he knew, however, no request had yet been made for pre-fixing of the refund in respect of the USSR.

16. The representative of Romania said that output of butter had increased by about 5 per cent in 1982 to the level of 37,700 tons. Her country had not imported any butter in that year. Butter consumption was expected to increase to reach 2.5 kg. per capita in 1985.

17. The representative of South Africa pointed out that production of butter had increased in 1982. Domestic consumption which had decreased in 1982 was continuing to decline because of competition from yellow margarine.

18. The representative of Finland said that butter output had declined by 3,000 tons in 1982 to the level of 69,000 tons. Some recovery was expected in 1983, however, to around 78,000 to 80,000 tons. It was expected that consumption would remain stable in 1983. Exports of butter might reach some 20,000 tons in 1983. Export prices in the fourth quarter of 1982 had been around US\$2,200 per ton f.o.b.

19. The representative of Norway said that production and consumption of butter had increased by 6.5 per cent and 3 per cent respectively in 1982 in relation to the preceding year. Exports in 1982 were expected to show an increase to about 5,000 tons, of which some 3,000 tons to the USSR. Export prices were currently in excess of US\$2,000 per ton f.o.b.

20. The representative of Sweden said that output and exports of butter had increased in 1982 while consumption had dropped back. Consumption of pure butter was continuing to decline slightly but consumption of butter mixtures was remaining fairly stable. Recent export prices of butter had remained stable at around US\$2,100 to US\$2,200 per ton f.o.b. but a downward trend was expected.

21. The representative of Switzerland said that butter output was expected to show an increase following a slight recovery in milk production. Domestic consumption was expected to remain stable.

22. The observer of Canada pointed out that domestic consumption of butter was declining. Stocks of butter which had been at 35,329 tons on 1 August 1982 were expected to increase significantly to some 56,000 tons by 1 August 1983.

Other business

Report to the Council

23. The Committee agreed that an oral report would be made to the Council on the discussions at the current session.

Date of next session

24. In accordance with the preliminary calendar, the Committees are to hold their next sessions from 27 to 29 June 1983. It has been decided that the Committees will hold their fourteenth sessions consecutively on 27 and 28 June and, if necessary, 29 June 1983, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Certain Milk Powders will take place on 27 June 1983, followed by the session of the Committee of the Protocol Regarding Certain Cheeses and then the session of the Committee of the Protocol Regarding Milk Fat.

ANNEX/ANNEXE/ANEXO

LIST OF REPRESENTATIVES - LISTE DES REPRESENTANTS -
LISTA DE REPRESENTANTES

Chairman:
Président: Mrs. F. Hubert (Secretariat)
Presidente:

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PARTICIPANTES

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UNITED STATES

Representative

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(no se ha recibido la lista)

OBSERVER/OBSERVATEUR/OBSERVADORE

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