

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED  
Spec(84)59  
5 November 1984

---

## International Dairy Arrangement

### COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

#### Nineteenth Session

#### Draft Report

#### Introduction

1. The Committee of the Protocol Regarding Certain Milk Powders held its nineteenth session on 25 and 26 September 1984.

#### Adoption of the Agenda

2. The Committee adopted the following agenda:
1. Adoption of report on the eighteenth session
  2. Information required by the Committee:
    - Replies to Questionnaire 1
    - Summary tables
    - Other information
  3. Draft decision (DPC/P/W/18)
  4. Review of the market situation for products covered by the Protocol
  5. Review of the level of minimum prices for products covered by the Protocol
  6. Other business.

Adoption of report on the eighteenth session

3. The Committee adopted the report on its eighteenth session. The report will be distributed as document DPC/P/29.

Information required by the Committee

- Replies to Questionnaire 1

4. The Committee reviewed the replies to Questionnaire 1 and requested members which had not yet communicated information for the second quarter of 1984 to do so without delay. In addition, it was pointed out that replies to Questionnaire 1 relating to the third quarter of 1984 should reach the secretariat not later than 15 December 1984.

- Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/P/W/1/Rev.18) prepared in conformity with Rule 28 of the Rules of Procedure and reproducing 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.18.

- Other information

6. No other information was requested.

- Simplified presentation of the questionnaire

7. With a view to simplifying presentation of the questionnaire the Committee agreed that the quarterly replies would in future be circulated in the form of photocopies and not documents. The summary tables circulated before the Committee's session would be revised and circulated again afterwards.

- Harmonization of questionnaires

8. The hope was expressed that the questionnaires would be simplified as much as possible and harmonized with the other questionnaires to which participants had to reply.

Draft decision (DPC/P/W/18)

9. It was recalled that following consultations regarding legal action needed regarding the presence in the register of processes and control measures of countries that were not participants in the Arrangement, a proposal had been made, and the text thereof had been circulated on 13 July 1984. The participants had not proposed any amendments to that proposal, the text of which had been reissued as DPC/P/W/18.

10. On the basis of that proposal the Committee adopted the following decision:

"The Committee of the Protocol Regarding Certain Milk Powders, having noted that the register of processes and control measures, which constitutes Annex I c to the Arrangement, includes processes and control measures of countries that are not participants in the Arrangement, has agreed, without prejudice to the relevant provisions of Article 3:5 of the Protocol, that the processes and control measures applicable by countries that are not participants in the Arrangement, and which are included in the register, will be considered acceptable for the purposes of the Protocol if the said countries undertake to inform the Committee of any change which may be made in their processes and control measures or in the modalities for their application."

11. The Committee took note that Spain had already communicated its undertaking (DPC/P/W/19).

12. The observer for Canada said that before preparing the letter regarding Canada's undertaking, his authorities had wished to have the text of the decision adopted by the Committee. Preparation of the letter had been delayed because of purely administrative difficulties; he was expecting to receive it shortly and would forward it to the secretariat.

13. The text of the Decision of 25 September 1984 will be circulated as DPC/P/30. The communication from Spain (DPC/P/W/19) will be annexed thereto as will the letter that Canada will shortly be forwarding.

Review of the market situation for products covered by the Protocol

(a) Current situation and outlook

14. The representative of Australia said that production of skimmed milk powder and buttermilk powder had increased by 29 per cent in 1983/84 to the level of 121,200 tons. It was estimated that production of these products would further increase by 30 per cent in 1984/85 to reach some 159,500 tons. Exports had amounted to 83,100 tons in 1983/84 as compared with 52,300 tons in 1982/83. Stocks at the end of June 1984 had been at 27,300 tons or some 10,700 tons higher than a year earlier. International prices of skimmed milk powder were in the range of US\$690-720 per ton f.o.b. With regard to whole milk powder, he said that due to reduced export demand and intense international market pricing competition, production had declined by 12 per cent in 1983/84 and reached 44,000 tons. It was estimated that production would further decrease by 14 per cent in 1984/85 to reach some 38,000 tons. Exports had amounted to 30,700 tons in 1983/84, a decrease of 20 per cent as compared with 1982/83. International market prices were reported to be currently in the range of US\$950-1,000 per ton f.o.b.

15. The representative of Argentina said that exports of skimmed milk powder had been nil in the first half of 1984, after having totalled 3,600 tons in the corresponding period of 1983. Domestic consumption was rising and at the end of the first quarter of 1984 stocks had been

considerably lower than one year earlier. With respect to whole milk powder, exports had declined very substantially in the first six months of 1984, the principal destinations being other South American countries. In the second quarter of 1984, average export prices for whole milk powder in 1 kg. cans had been in the vicinity of US\$1,350 per ton f.o.b.

16. The representative of the EEC indicated that output of skimmed milk powder was expected to be down 14.5 per cent in 1984 from the previous year's level. A further decline by 4.2 per cent was expected in 1985 in relation to 1984. At 13 September 1984, stocks of skimmed milk powder had totalled 965,858 tons, i.e. some 5,000 tons less than one week earlier. It was hoped that the decline would continue in the coming months, in particular as a result of lower production and increased sales of skimmed milk powder for pig and poultry feed. As already indicated, the EEC was making very costly efforts for internal disposal of skimmed milk powder for animal feed. As a result of those financial efforts, it was hoped that some 500,000 tons could be utilized in the pig and poultry sector in 1984. In addition, some 1,200,000 to 1,300,000 tons of skimmed milk powder were sold each year at reduced prices for feeding calves. Notwithstanding the level of stocks, prices of skimmed milk powder on the Community market were currently ECU 2 above the intervention price. Community operators could export skimmed milk powder at prices between US\$650 and US\$700 per ton f.o.b. Nevertheless, taking into account the price increase on the internal market, prices at the lower end of the bracket could soon increase to US\$670 or even US\$680 per ton f.o.b. The market situation for skimmed milk powder was currently not satisfactory, but was expected to improve. With respect to whole milk powder, output could show an increase by 18 per cent in 1984 in relation to 1983. In 1985, production was expected to expand further by 2.6 per cent in relation to 1984. Nevertheless, those expected increases would depend on export possibilities since output was conditioned by orders from third countries. Prices of whole milk powder were currently rising on the Community market. In the light of that new situation, Community operators could export whole milk powder at prices between US\$1,020 and US\$1,050 per ton f.o.b.

17. The representative of Poland said that in the first eight months of 1984 output of skimmed milk powder had been 18 per cent above the level for the corresponding period of 1983. Notwithstanding that increase, however, production in the year 1984 as a whole was forecast to remain unchanged in relation to 1983. Exports could total some 35,000 in 1984 as against 37,900 tons in 1983. Average export prices, which had reached US\$654 per ton f.o.b. in the second quarter of 1984, were not expected to vary in the second half of 1984, and should be in the region of US\$650 per ton f.o.b.

18. The representative of Hungary said that output, consumption and exports of skimmed milk powder had declined in the first six months of 1984 in relation to the corresponding period of 1983.

19. The representative of Japan said that in the period January-July 1984, imports of skimmed milk powder had been 7 per cent above their level for the corresponding period of 1983. Import prices were currently low, on average US\$740 per ton c.i.f. Replying to a question, he said that the major part of imported powder was used for animal feed.

20. The representative of New Zealand said that production of skimmed milk powder had amounted to 208,000 tons in 1983/84 as compared with 158,000 tons in 1982/83. It was hoped that production for export would decline to 199,000 tons in 1984/85. International market prices for skimmed milk powder for human consumption were currently close to US\$700 per ton f.o.b. Sales of skimmed milk powder for animal feed purposes had been recently effected at prices around US\$640 per ton f.o.b. He emphasized that the quality of the product sold for human consumption was different from that sold for animal feed purposes. With regard to whole milk powder, production had amounted to 124,000 tons in 1983/84 as compared with 114,000 tons in 1982/83. It was estimated that production would increase to 132,000 tons in 1984/85. International market prices for whole milk powder were between US\$980 and US\$1000 per ton f.o.b.

21. In reply to a question concerning the purchase by the New Zealand Dairy Board of skimmed milk powder from South Africa, the representative of New Zealand recalled that 6,000 tons of South African skimmed milk powder had been purchased earlier in 1984. Out of that quantity, 4,000 tons had been exported to Taiwan for stock feed. Two thousand tons had been sold to an Australian-based trading company, on the firm understanding that the powder was to be sold to Japan as stock feed. It seemed that 500 tons of the parcel of 2,000 tons had been diverted to Bangladesh and sold for human consumption. It seemed also that South African wrappers had been removed and replaced by those of a West German company. The contract had been cancelled and the New Zealand Dairy Board had retained control of the remaining South African powder.

22. The representative of Australia said that his authorities had opened an investigation in order to clarify the matter.

23. The representative of South Africa reported that domestic consumption of skimmed milk powder had risen substantially in the first six months of 1984, inter alia, because of the increased cut-price sales to ice-cream manufacturers. Stocks, which had totalled 12,000 tons at the end of the second quarter of 1984, could drop back to the level of 10,000 tons at the end of the third quarter of the year.

24. The representative of Finland said that output of skimmed milk powder had declined in the first half of 1984, as compared with the corresponding period of 1983. Production of whole milk powder could increase in 1984 to 31,000 tons. Exports, almost exclusively to the USSR, could reach 30,000 tons in 1984. In the second quarter of 1984, export prices had averaged US\$1,088 per ton f.o.b.

25. The representative of Norway said that in the first six months of 1984, output of skimmed milk powder had declined in relation to the first half of 1983. Over the same period, exports had dropped back to some 700 tons, and were expected to be nil in the second half of the year.

26. The representative of Sweden said that output of skimmed milk powder had increased in the first six months of 1984 while consumption and exports had declined in relation to the corresponding period of 1983. Consequently, stocks had been higher at the end of the second quarter than one year earlier. In September 1984, average export prices had been in the vicinity of US\$640 f.o.b. Taking account of the reference points mentioned in Annex I(a) to the Arrangement, the average export price would be US\$680 per ton.

27. The representative of Switzerland indicated that production of skimmed milk powder could increase to 8,000 tons in the third quarter, as against 7,400 tons in the corresponding quarter of 1983. Stocks at 31 August 1984 had totalled 11,000 tons, as against 3,400 tons one year earlier. Some difficulties were currently being encountered in selling skimmed milk powder for feeding calves, because certain producers were using fresh milk for that purpose, so as not to exceed the individual milk quota. It was hoped, nevertheless, that with lower production in the latter part of the year, stocks of skimmed milk powder would decline somewhat.

28. The representative of the United States forecast that output of skimmed milk powder in 1984 would be 18 per cent less than in 1983. Thereafter, a further 7 per cent reduction was expected in 1985 in relation to 1984. Domestic consumption of skimmed milk powder had dropped by 15 per cent in the first half of 1984. It was hoped that the downtrend would not continue in the coming months. Domestic disposal programmes for skimmed milk powder would continue in 1984/85. Possibilities for developing skimmed milk powder consumption for animal feed were limited. The major part of exports were currently for food aid purposes. Foreign donations in 1984/85 would remain stable in relation to 1983/84. Nevertheless, because of lower milk production those donations were expected to decline substantially from 1985/86 onwards.

29. The representative of the EEC said that his delegation had the impression that the United States deliveries for food aid purposes were in direct competition with commercial sales by other countries.

30. The representative of New Zealand noted that food aid exports should not disturb normal trade flows.

31. The representative of the United States said that his country was trying to limit foreign donations to countries that were potential importers of skimmed milk powder.

32. The observer for Canada noted that the level of butter production had an impact on skimmed milk powder production; given the rise in butter production, it was expected that skimmed milk powder production would also increase, although domestic consumption would likely continue its gradual downward trend. This would result in an increase in the surplus of skimmed milk powder at a time when the world market for dairy products was continuing to decline. Combined with the low level of international prices, this situation might increase the export losses payable by producers. End-of-dairy-year stocks for 1983/84 were estimated at around 36,000 tons; projections for the 1984/85 dairy year were for closing stocks of around 44,000 tons. The observer of Canada informed the Committee that the Canadian Dairy Commission had announced a new level of rebate for denatured skimmed milk powder used in animal feed in Canada. Sales of skimmed milk powder for animal feed purposes under the Commission's programme had increased in 1982/83 by about two and a half times the volume marketed in 1981/82.

33. The Committee expressed concern over the level of whole milk powder prices. While for the moment, action under Article 4 of the Protocol did not seem necessary, the Committee underlined that the utmost vigilance was essential and that it needed the most detailed information possible regarding sales at or close to the level of the minimum prices, and action taken to ensure observance of those prices.

(b) Communiation from the Australian Permanent Mission

34. A communication from the Australian Permanent Mission, circulated as DPC/P/W/20, DPC/F/W/14, DPC/C/W/19, raised a question of interest for the three Committees. The discussions on that communication are recorded in paragraphs 24 to 37 of the report on the nineteenth session of the Committee of the Protocol Regarding Certain Cheeses.

Review of the level of minimum prices for products covered by the Protocol

35. In accordance with Article 3:3 of the Protocol, the Committee reviewed the level of minimum prices for products covered by the Protocol.

36. The representative of New Zealand recalled that in September of each year the minimum prices were subject to review by the Committee on the basis of criteria listed in Article 3, paragraph 3(b) of the Protocol. In the view of his delegation, several factors would justify an increase in the minimum prices, in particular, costs faced by producers, the need to maintain a long-term minimum return to the most economic producers and the need to maintain stability of supply. However, the Committee must face the fact that the current market situation was not conducive to an increase in the minimum prices. For this reason, his delegation had decided to refrain from proposing increases in the minimum prices at the present session.

37. The representative of Australia supported the views expressed by the representative of New Zealand. He added that taking into account the current market situation, his delegation would not propose at the present session any increase in the minimum prices. Equally though his delegation did not believe that there was merit in contemplating a reduction in the minimum prices. In his delegation's view, to decrease the minimum prices simply because the market was in difficulty, would defeat the purpose of the minimum prices.

38. The representative of the EEC said that his delegation had no proposal to make regarding modification of the minimum prices. On the other hand, his delegation considered it necessary to take account of exchange rate fluctuations for the US dollar on exchange markets. The fact that since 1 October 1981, the US dollar had appreciated by 45 per cent in relation to the ECU could be interpreted as a proportionate increase in the minimum prices.

39. It was noted that several factors that would justify an increase in the minimum prices had been mentioned by certain delegations, in particular costs faced by producers. The Committee considered, nevertheless, that having regard to other factors, inter alia the market situation and monetary fluctuations, there was no need to modify the minimum prices for the time being.

#### Other business

#### Report to the Council

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

#### Date of next session

41. In accordance with the preliminary calendar, it has been decided that the Committees will hold their twentieth session consecutively on 17, 18 and if necessary 19 December 1984, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Certain Milk Powders will be 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:

PARTICIPANTS  
PARTICIPANTES

ARGENTINA

Representante

Sr. Jorge Viganó  
Consejero Económico y Comercial,  
Misión Permanente ante la Oficina  
de las Naciones Unidas en Ginebra

AUSTRALIA

Representatives

Mr. Kevin Baker  
Assistant Secretary,  
Department of Trade

Mr. Peter Carey  
Assistant Secretary,  
Department of Primary Industry

Mr. Brian Norwood  
General Manager  
Dairy Corporation

Mrs. Jean Dunn  
First Secretary (Commercial),  
Permanent Mission to the Office  
of the United Nations at Geneva

AUSTRIA

Representative

Mr. R. Hochörtler  
Minister (Economic Affairs),  
Permanent Mission to the Office  
of the United Nations at Geneva

BULGARIE

Représentant

M. Ilian Bozev  
Deuxième Secrétaire,  
Mission permanente auprès de l'Office  
des Nations Unies à Genève

Secretary: Mr. L. Apalaci, CWR, Tel. Ext. 2125  
Conference Officer: Miss S. Niklaus, CWR, Tel. Ext. 2350

COMMUNAUTES EUROPEENNES

COMMISSION

Représentants

M. A. Barsuglia  
Administrateur principal  
Direction générale de l'Agriculture

M. Roger Moran  
Assistant,  
Direction générale des relations  
extérieures

M. Helmut Stadler  
Administrateur principal,  
(Affaires agricoles),  
Délégation permanente à Genève

IRLANDE

Mr. Brendan McInerney  
First Secretary,  
Permanent Mission to the Office  
of the United Nations at Geneva

ITALIE

Mme Brunella Lo Turco  
Directeur de Section,  
Ministère de l'Agriculture

LUXEMBOURG

M. Jean-Louis Wolzfeld  
Représentant permanent adjoint auprès  
de l'Office des Nations Unies à Genève

PAYS-BAS

M. J.C. Logger  
Ministère de l'Agriculture

M. T. van Ormondt  
Ministère de l'Agriculture

ROYAUME-UNI DE  
GRANDE-BRETAGNE  
ET DE L'IRLANDE DU NORD

Mr. A.E. Montgomery  
Counsellor,  
Permanent Mission to the Office  
of the United Nations at Geneva

Mr. B. Harding  
First Secretary,  
Permanent Mission to the Office  
of the United Nations at Geneva

Mr. J.G. Purvis  
Senior Executive Officer,  
Milk Products Division,  
Ministry of Agriculture,  
Fisheries and Food

COMMUNAUTES EUROPEENES (suite)

ROYAUME-UNI DE  
GRANDE-BRETAGNE  
ET DE L'IRLANDE DU NORD (suite)

Mr. R.W. Gwen  
Second Secretary,  
Permanent Mission of the Office  
of the United Nations at Geneva

Mr. H. Bartlett  
Second Secretary,  
Permanent Mission to the Office  
of the United Nations at Geneva

BELGIQUE

M. Herman Hooyberghs  
Ministère de l'Agriculture

DANEMARK

M. Peter Andersen  
Chef de Section,  
Ministère de l'Agriculture

ALLEMAGNE, REPUBLIQUE  
FEDERALE

M. Immo Weirauch  
Ministère fédéral de l'alimentation,  
de l'agriculture et des forêts

M. Peter Baron  
Ministère fédéral de l'alimentation,  
de l'agriculture et des forêts

M. Heiner Flassbeck  
Deuxième Secrétaire,  
Mission permanente auprès de l'Office  
des Nations Unies à Genève

GRECE

M. A. Liontas  
Ministre-Conseiller (Affaires  
économiques),  
Mission permanente auprès de l'Office  
des Nations Unies à Genève

FRANCE

M. Dominique Fabre  
Administrateur civil,  
Ministère de l'Agriculture

Mlle Marie Christine Lombard  
Attaché d'Administration,  
Ministère de l'Economie, des Finances  
et du Budget

COMMUNAUTES EUROPEENNES (suite)

CONSEIL DE MINISTRES

Secrétariat général

M. A. Seguso  
Chef de Division

EGYPT

Representative

Mr. Mahmoud El-Etreby  
First Secretary,  
Permanent Mission to the Office  
of the United Nations at Geneva

FINLAND

Representative

Mr. Seppo Hassinen  
Agricultural Economist,  
Agricultural Economic Research  
Institute

HUNGARY

Representative

Mr. Laszlo Bartha  
First Secretary,  
Permanent Mission to the Office  
of the United Nations at Geneva

JAPAN

Representative

Mr. Takashi Kato  
First Secretary,  
Permanent Mission to the Office  
of the United Nations at Geneva

NEW ZEALAND

Representatives

Mr. C.F. Thompson  
Assistant Secretary (Trade Policy),  
Department of Trade and Industry

Mr. D.J. Greenfield  
Counsellor (Economic),  
Permanent Mission to the Office  
of the United Nations at Geneva

Mr. B.B. Smythe  
Counsellor,  
Mission to the EEC in Brussels

Mr. S. Rajasekar  
Chief Agricultural Economist,  
Ministry of Agriculture and Fisheries

NEW ZEALAND (cont'd)

Representatives (cont'd)

Mr. H.S. Blackmore  
Executive Manager,  
External Economics,  
Dairy Board

NORWAY

Representative

Mr. Kai Norman Hansen  
Counsellor,  
Ministry of Agriculture

POLAND

Representatives

Mr. Janusz Florczak  
Director of Dairy Office,  
POLSCOOP - Foreign Trade Enterprise

Mr. Z. Durnicki  
Chief Adviser for Foreign Trade,  
Central Union of Dairy Cooperatives

Mr. Marian Benedy Kciniski  
Chief Adviser,  
Ministry of Foreign Trade

ROUMANIE

Représentant

M. Liviu Paunescu  
Resident Representative to the GATT

SOUTH AFRICA

Representatives

Mr. R.M. Gravelet-Blondin  
First Secretary (Agricultural-Economic)  
Permanent Mission to the Office  
of the United Nations at Geneva

Mr. Adri van der Merwe  
Economist,  
Department of Agriculture

SUISSE

Représentant

M. T. Glaser  
Chef de Section,  
Département fédéral de l'économie  
publique

SWEDEN

Representative

Mr. Magnus Olsson  
Head of Section,  
National Agricultural Marketing Board

UNITED STATES

Representatives

Mr. Anthony Cruit  
Agricultural Counsellor,  
Office of the Trade Representative  
at Geneva

Mr. William Paddock  
Agricultural Economist,  
Department of Agriculture

URUGUAY

Representante

Sr. Manuel Olarreaga  
Ministro Consejero (Asuntos Comerciales),  
Misión Permanente ante La Oficina de  
Las Naciones Unidas en Ginebra

OBSERVERS/OBSERVATEURS/OBSERVADORES

CANADA

Representative

Mr. Philip Douglas  
Counsellor,  
Permanent Mission to the Office  
of the United Nations at Geneva

ESPAÑA

Representante

Sr. M. González-Varela  
Consejero (Asuntos Comerciales  
Agrícolas),  
Misión Permanente ante La Oficina  
de Las Naciones Unidas en Ginebra