

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

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### International Dairy Arrangement

#### INTERNATIONAL DAIRY PRODUCTS COUNCIL

##### NINETEENTH SESSION

###### Draft Report

Chairman: Mr. T. Groser

1. The International Dairy Products Council held its nineteenth session on 20 September 1988.
2. The Council adopted the following agenda:
  - A. Admission of observers under Rules 11 and 14 of the Rules of Procedure
  - B. Review of the functioning of the Arrangement
  - C. Evaluation of the situation in, and outlook for, the world market for dairy products
  - D. Commodity description and coding (Harmonized System)
  - E. Participation in the work of the Council and the Committees
  - F. Report to the CONTRACTING PARTIES
  - G. Tentative schedule of further meetings
  - H. Note by the Chairman on the present meeting

A. Admission of observers under Rules 11 and 14 of the Rules of Procedure

3. The Council invited Panama in the capacity of observer, to follow the proceedings of the session, in conformity with Rule 11 of the Rules of Procedure.

4. The Chairman recalled that at its eleventh session held in September 1984, the Council had agreed to extend an invitation of a permanent character to the Economic Commission for Europe, FAO, OECD and UNCTAD. He had accordingly invited these organizations to participate in the present session as observers. Furthermore, an observer for the IMF was invited to attend the session, in conformity with Rule 14 of the Rules of Procedure.

B. Review of the functioning of the Arrangement

Reports of the thirty-fourth and thirty-fifth sessions of the Committees of the Protocols

5. In accordance with Article IV:1(b), the Council reviewed the functioning of the Arrangement. For this review, the Council had before it the reports of the thirty-fourth sessions of the Committee of the Protocol Regarding Certain Milk Powders (DPC/P/54), the Committee of the Protocol Regarding Milk Fat (DPC/F/57) and the Committee of the Protocol Regarding Certain Cheeses (DPC/C/52). The full reports of the thirty-fourth sessions of the Protocol Committees had been approved at their thirty-fifth sessions and would be distributed shortly in one document with a triple symbol (DPC/P/55, DPC/F/59, DPC/C/53).

6. The Committees of the Protocols had held their thirty-fifth session consecutively on 19 and 20 September 1988, and the Chairman of the Committees was called upon to present an oral report of these meetings.

7. After examining the replies to the questionnaires, the Committees had considered the market situation for the products covered by each of the Protocols.

8. The Committee of the Protocol Regarding Certain Cheeses noted that world cheese production had continued its upward trend in 1987, totalling 13.7 million tons, an increase of 1.5 per cent compared to 1986. Another 1.5 per cent gain was forecast for 1988.

9. The upward trend in cheese consumption continued in 1987 and was maintained in 1988. World per capita cheese consumption has been increasing at an average annual rate of 2 per cent since the early eighties, and may continue to increase at that rate.

10. World exports of cheese recovered appreciably in 1987, following stronger import demand by OPEC countries and other developing countries. The expansionary tendencies observed for 1987 continued into 1988.

11. Cheese stocks were, at 1 July 1988, lower than one year earlier and were expected to decline further throughout 1988.

12. The Committee took note of the information furnished by Australia and New Zealand regarding operations under Article 7:2 of the Protocol. Certain participants recalled the notification procedures set out in that Article and, in particular, invited Australia and New Zealand to notify as required in advance of their intention to effect sales of cheese under this derogation. Australia noted that it would continue, as it had in the past, to notify the Committee in accordance with Article 7:2 of the Protocol.

13. Prices of Cheddar cheese continued to strengthen in 1988 fluctuating between US\$1,800 and US\$2,400 per ton f.o.b during the third quarter, thus remaining well above the agreed minimum export price. Prices were expected to continue to rise in the coming months.

14. The Committee of the Protocol Regarding Certain Milk Powders noted that world production of skimmed milk powder in 1987 at 4.2 million tons had been 11.5 per cent lower than in 1986. Thus, the upward trend of recent years had been halted in 1987, mainly as a result of reduced butter production. World production of skimmed milk powder declined further, but less steeply in 1988, following a continued decline in butter production.

15. In 1987, world consumption of skimmed milk powder was maintained at its level of the previous year. It fell in 1988 reflecting lower supplies and rising prices.

16. World exports of skimmed milk powder recovered in 1987 when they exceeded 1.2 million tons, a level comparable to exports in 1985, and 3 per cent up on 1986. Import demand in some developing countries remained strong. This particular demand was to a large extent met by continued heavy shipments by the United States. The market situation also permitted Community exports to recover and stocks were reduced. A reduced butter production entailed a reduction in production and stocks. International trade in skimmed milk powder was however less affected, as exports were to some extent maintained by drawing down on stocks and reducing the use for feed. Some developing importing countries nevertheless experienced difficulties in covering their import requirements of skimmed milk powder in 1988.

17. Total stocks of skimmed milk powder on 1 July 1988 were substantially lower than one year earlier. The market situation entailed a further reduction in stocks and in early autumn 1988, there were hardly any uncommitted public stocks of skimmed milk powder, although private stocks appeared to have increased.

18. International prices of skimmed milk powder continued to firm throughout 1988 and fluctuated between US\$1,650 and US\$1,900 per ton f.o.b. in the third quarter. Thus, prices more than doubled from September 1987 to September 1988. The market reflected the effects of the tightening supply situation and was expected to remain firm in 1988/89. However, prices might increase at a slower pace.

19. World production of whole milk powder continued to expand in 1987, reaching 2.2 million tons, about 9 per cent more than in 1986. Production increased in all regions, but most strongly in the EC. World production expanded further in 1988.

20. Whole milk powder trade continued its upward trend in 1987 and exceeded some 900 thousand tons reflecting strong import demand. Exports grew further in 1988, but apparently at a more modest rate than in 1987.

21. International prices of whole milk powder continued to firm throughout 1988 and fluctuated between US\$1,700 and US\$2,000 per ton f.o.b. in the third quarter. Thus, the market remained firm, the supply situation was tight and prices were likely to increase further.

22. The Committee of the Protocol Regarding Milk Fat noted that world butter production had fallen by 400 thousand tons from 1986 to 1987, reaching a total of 7.4 million tons, almost down to its average level in 1981-83. This was mainly due to the decrease in Community production. However, production was significantly lower in all regions, except in the USSR. These developments reflected a reduced availability of milk for processing and a low profitability of butter production. Butter production continued to decline in 1988 as the use of milk for other purposes was more profitable and markets for other dairy products could absorb greater quantities.

23. Butter consumption showed very little change on average and prospects for 1988 confirmed a stagnant trend.

24. The world market for butter and anhydrous milk fat remained fragile throughout 1987. World exports which in 1986 had fallen to 700 thousand tons increased sharply to around 950 thousand tons in 1987. Significant quantities were disposed of domestically and through sales under derogation from the price provisions of the Arrangement. For 1988, export figures remained above the low figures of 1986, as a result of further sales and deliveries taking place of butter and anhydrous milk fat sold at discount prices under derogation. However, such sales together with internal disposals and substantially reduced production resulted in a appreciable reduction of stocks providing an improvement in the butter market in 1988.

25. Reduced milk supplies, larger internal disposals and heavy exports had rather drastic impact on stocks of butter in 1987. Continued efforts made notably by the EC reduced butter stocks further in 1988. Thus, in early autumn of 1988, there were hardly any surplus stocks of butter.

26. International prices of butter ranged recently between US\$1,200 and US\$1,600 per tons f.o.b. and those of anhydrous milk fat fluctuated between US\$1,350 and US\$1,500 per ton f.o.b.

27. Regarding sales under derogations, the Committee took note of additional information furnished by the EC concerning intended sales to Bangladesh related to the Decision of 22 March 1988 (DPC/F/55). The Committee also took note of information furnished by the EC concerning sales to the USSR related to the Decision of 12 July 1988 (DPC/F/58).

28. The Committees considered further the effects of the drought situation in the United States on dairy markets. United States milk production was in spite of the drought and higher feed costs, recovering to at least its level of 1986. It was not, however, at present easy to assess any possible effects on international trade.

29. The Committees reviewed the level of the minimum export prices of products covered by the respective Protocols on the basis of the criteria established by the Arrangement. The Committees decided, in pursuance of Article 3:3 of each of the Protocols, that the minimum prices specified in that provision would be raised (f.o.b per metric ton) to US\$1,050 for skimmed milk powder, US\$1,150 for whole milk powder, US\$1,050 for buttermilk powder, US\$1,500 for anhydrous milk fat, US\$1,250 for butter and US\$1,350 for certain cheeses. The schedules of price differentials according to milk fat content were consequently modified. It was agreed that the decisions would take effect at noon on 21 September 1988, Geneva time.

30. The Committees agreed that the decisions would be duly recorded in the respective reports and would be the subject of a Procès-Verbal signed by the Director-General of the CONTRACTING PARTIES to the General Agreement,

certifying the entry into force of the new minimum prices and the new schedules of price differentials.

31. The next regular sessions of the Committees of the Protocols were envisaged to be held on 13 and 14 December 1988. The Committees took note of a preliminary programme of further regular meetings up to the end of 1989.

32. In presenting this oral report, the Chairman of the Committees made the comment that the work had been carried out in very positive terms. The market situation was indeed bright, although some fragility might still be present in certain sectors. The discussions on new minimum export prices had of course reflected the situation and there had already, from the beginning, been broad unanimity that minimum export prices could and should be increased. There were differences in views as to the magnitude of the increases, which were however bridged. Two schools of thought appeared to be dominating, as to the role of minimum export prices; one was that these prices were to be considered a safety net, another that they should be used to strengthen depressed world market prices. In his view the booster role had been confirmed with respect to prices on milk fat, while the safety net role had been dominant when fixing the new prices for powders and cheeses. He felt this to be a reasonable compromise. The discussions of specific issues, sales for welfare purposes and sales under derogation took only little time at the present meetings, another sign of a healthy market situation and that the Arrangement had been a useful instrument in restoring the order in the market.

33. The Council took note of the reports on the implementation of the Protocol Regarding Certain Cheeses, the Protocol Regarding Certain Milk Powders and the Protocol Regarding Milk Fat, and in particular noted that the minimum export prices for all products covered by the Protocols had been raised with effect from 21 September 1988. The Council expressed its appreciation and sincere thanks to the Chairman of the Committees for his excellent work and for the comprehensive reports.

Replies to Questionnaire 4

34. The Chairman recalled that according to Rule 23 of the Rules of Procedure, annual data concerning milk and dairy products other than those covered by the Protocols, should be furnished two and one half months at the latest after the end of the period concerned and that six months after these data had been furnished, information on developments therein should be communicated. The secretariat had issued a reminder on 16 August 1988, in the form of an airgram requesting replies by 15 September 1988. So far in 1988, information had been received from Argentina, Australia, Bulgaria, the European Communities, Finland, Hungary, Japan, Norway, Poland, South Africa, Sweden, Switzerland and Uruguay. Similar information had also been received from Canada (DPC/W/79/Rev.1).

35. The Council took note of the information received, which had been or would shortly be circulated in the DPC/STAT/- series.

Replies to Questionnaire 5

36. The Chairman recalled that according to Article III of the Arrangement and to Rules 23 and 29 of the Rules of Procedure, the full text of an inventory of all measures, affecting trade in dairy products, including commitments resulting from bilateral, plurilateral or multilateral negotiations would be due for a complete update, revision and circulation to participants early in 1989. He also reminded participants that they were supposed to communicate any changes in domestic policies and trade measures on a continuous basis, and in any case by July each year. So far in 1988, information on policies and trade measures had been received from Argentina, Australia, the European Communities, Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland and Uruguay. Similar information had also been received from Canada (DPC/INV/3/Rev.6). The Chairman urged participants to submit all relevant information to the secretariat as soon as possible. The new inventory would subsequently be circulated in the DPC/INV/- series.

37. In reply to questions from the representatives of the European Communities and of Uruguay, the representative of Japan explained that imports into his country of some dairy products remained subject to global quotas established by the government and administered by the LIPC. The LIPC invited tenders from trading companies and import permits were granted on a commercial basis within the limit of the global quota, and without discrimination of any kind. In 1988, supplementary quotas had been established at 25 thousand tons for skimmed milk powder and at 21 thousand tons for butter. The butter quota had already been filled by offers by New Zealand (19 thousand tons) and by Australia (2 thousand tons). Offers by Community suppliers had been rejected because of a higher price asked for. So far, contracts had been established for supplies of skimmed milk powder with Community suppliers for 20,154 tons and with New Zealand for 1,846 tons. The representative of Japan recalled that his government would, subject to the necessary domestic procedures being completed, implement market-opening measures concerning imports including processed cheese and other dairy products, following recommendations adopted by the GATT Council in February 1988 (C/M/217). The relevant details had been notified in document L/6389. He would endeavour to provide further details on the Japanese import regime for dairy products at a later stage.

38. The Council took note of the information received which had been, or would shortly be, circulated in the DPC/INV/- series. It also noted the comments and statements made.

C. Evaluation of the situation, and outlook for, the world market for dairy products

39. In order to facilitate the consideration by the Council, the secretariat had as usual prepared and circulated some background documentation, notably a status report DPC/W/82 and Add.1, a note on food aid DPC/W/83 and relevant statistical information contained in summary tables DPC/F/W/36/Rev.2, DPC/C/W/35/Rev.2, DPC/P/W/34/Rev.2) and replies to questionnaires. The Chairman recalled that delegations had been invited to

suggest modifications, corrections or to provide additional information (DPC/W/82, page 2, paragraph 4), and he also recalled that parts of the status report and the statistical information had been subject to consideration in the Protocol Committees. He therefore invited comments of a general nature on dairy policies and the market situation, but stressed that anyone should feel free to take up specific points related to the market situation and the documentation, if this was desirable.

40. The representative of New Zealand commended the secretariat for its status report which he found to contain a lot of useful information. Although he might not agree with every specific point of the analysis presented, he found the general thrust quite acceptable. He felt the report to be too big and would have preferred a shorter one, but appreciated the completeness of the information gathered by the secretariat. The report reflected correctly some basic changes that had recurred in the market, notably a marked improvement in the trading environment for dairy products following a 1 per cent drop in world milk production from 1986 to 1987, mainly due to a 5 per cent decline in Community deliveries and lower production in other countries as well. However, in 1988, world milk production was again returning to previous levels. There was also an overall increase in overall consumption of milk and dairy products, although butter consumption remained static. There had been an extraordinary turnaround in the situation with respect to stocks, as there were at present hardly any surplus stocks of dairy products. Then there had been a steady improvement in prices notably for cheese, powders and casein. He emphasized, however, that this situation was not a bonanza as the improvements must be measured against formerly very depressed market conditions. He felt that a previously fragile butter market was firming up throughout 1988 hopefully on its way to a more profitable and stable situation. His delegation welcomed the very positive developments in the market and recognized the efforts undertaken by countries subsidizing their dairy sectors to bring their dairy sectors closer to the market place, but would nevertheless underline that further structural adjustments were necessary. He felt that handling of GATT minimum export prices remained an important element in strengthening the world market. Briefly, he felt the

major factors leading to the improvements to be reduced supply pressures (notably the cut in Community productions), reduced export subsidies, changes in exchange rates and increased demand. Although it might be difficult to see how long the effects of the adjustment process would last, the process was continuing for another year and one half. He would regret a release of production controls now in place, as the experience of recent years made it clear that they were necessary. Developments had also confirmed the value of the price mechanisms in the Arrangement and it now remained a priority to consolidate the improvements that had been made and to look for an improvement of markets on an economically sound basis. Finally, he mentioned that the market situation for casein had been affected by factors similar to those who bolstered the skimmed milk powder market, with developments in the European Communities being of dominant influence. Manufacturers had passed on the higher raw material costs to consumers, and with several reductions having been made in Community aid paid to processors, this resulted in steep rises in casein prices. New Zealand export offer prices for acid casein for shipment in July-September 1988, were in the range of US\$4,740 to US\$4,870 per ton delivered.

41. The Community representative shared the view of others that the document provided a lot of useful information. The report was long, but he recognized that the sector covered was an extensive one. He would have liked to see a better print. As to the period covered, he wondered whether the most recent changes in minimum export prices would be reflected in the annual report. Regarding some details in the report he wondered why some information on non-participants was included, and felt the reference to India to be rather exotic. He would have like to see a clearer distinction between participants and other countries. The Community representative also expressed the idea that it might be interesting if some information on particular markets such as China, Mexico and Brazil could be included in future reports.

42. The Chairman confirmed that the recent changes in minimum export prices would be reflected in the annual report, and that the secretariat would ensure a good reproduction of the documentation.

43. The Community representative furthermore said that the situation was now more comfortable than ever before during the history of the Arrangement. In 1979, the circumstances were such that only the Arrangement could save the situation. Developments since then confirmed that the Arrangement had worked extremely well in spite of certain difficulties encountered and that two countries had left the Arrangement. These countries had however demonstrated a remarkable discipline, respecting the prices agreed under the Arrangement, and he considered this to be a good sign. It showed that price provisions could work when major trading partners, producers, exporters and main importers would co-operate. One had now arrived at a sound market situation, not least thanks to the Community efforts made to restore the market. He recalled a declaration made by the Community representative at the meetings of the Committees in June 1988 (DPC/W/81). The reforms undertaken of the common agricultural policy had been successful also looking at the international market, although Community milk producers might not be entirely happy with the quotas and might view things differently. The existence of the Arrangement had made the reforms possible, providing the necessary co-operation of other countries. He characterized the co-operation of other parties as exemplary, and said that this had greatly facilitated the Community efforts. Community sales to the USSR had resulted in the development of that market where demand for fresh butter had subsequently increased. The three billion ECU's spent by the Community and the co-operation of other parties to the Arrangement had yielded results beneficial to everybody as it had in the end become possible to sell dairy products at reasonable prices. Expressing his sincere thanks for the co-operation provided, he stressed that this gave great promises for progress in the Uruguay Round and for further co-operation aiming at a resolution of the problems arising in the dairy sector. The Community was ready to make further efforts in the sector, but would be unable to act in isolation. He therefore appealed to other parties to join in the efforts to adjust supplies to demand in the international market.

44. Winding up the discussion of the status report the Chairman agreed that the mood had developed favourably, and everybody's interest had now been taken into account. All commodity arrangements had been facing

difficulties. The International Dairy Arrangement had however come through the difficulties better than other arrangements and was actually the only arrangement with operational economic provisions. The Arrangement was definitely working and had past its test in a satisfactory manner.

45. The observer of Canada provided detailed information about the situation in his country notably that the cow numbers continued to fall, milk production was expected to increase by less than 2 per cent a year, butter consumption was projected to decline by 2 to 3 per cent a year and cheese consumption to increase by 4 to 5 per cent a year. Reflecting the application of the new formula for setting target return prices for industrial milk, which were as of August 1988 set on the basis of annual production cost surveys, it was projected for the medium term price increases of 1.6 per cent a year compared with an estimated inflation rate of 4.6 per cent a year. This meant a significant drop in real prices. The current Canadian dairy policies had been put in place in 1985 for a period of five years. Accordingly, a complete review of its basic elements would be undertaken in 1989 with the aim to implementing revised policies as of 1990. Canadian dairy exports, notably those of skimmed milk powder, were expected to remain stable at the relatively low level of recent years.

46. The Council took note of the status report on the world market for dairy products (DPC/W/82 and Add.1), a note on food-aid operations (DPC/W/83) and the relevant statistical information provided. The Council also noted the comments made under this item of the agenda. It agreed that the status report and its addendum, as amended and completed in light of more recent information and taking into account the comments made, should be released for general distribution as the ninth annual report under the International Dairy Arrangement.

D. Commodity description and coding

47. The Chairman recalled that this item had been discussed at the previous session of the Council (DPC/29, paragraphs 64 to 67). At that time, delegates wanted to have more time to study the matter and consult with legal and technical experts in capitals. However, there did not now

seem to be any objections to the draft decision contained in document DPC/W/77 and its corrigendum 1.

48. The Council adopted the following decision, which was subsequently circulated as document DPC/30:

"The International Dairy Products Council noted that most participants had already implemented the new Commodity Description and Coding System (Harmonized System) from 1 January 1988, and that other participants were expected to implement the new system shortly.

The Council agreed:

- that Article II:1 of the International Dairy Arrangement should be read as follows:

"Article II - Product Coverage

1. This Arrangement applies to the dairy products sector. For the purpose of this Arrangement, the term "dairy products" is deemed to include the following products, as defined in the new Commodity Description and Coding System (Harmonized System) established by the Custom's Co-operation Council.

CCCN (revised)

- (a) 04.01.10-30      Milk and cream, not concentrated nor containing added sugar or other sweetening matter
- (b) 04.02.10-99      Milk and cream, concentrated or containing added sugar or other sweetening matter
- (c) 04.03.10-90      Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit or cocoa

- (d) 04.04.10-90 Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included
- (e) 04.05.00 Butter and other fats and oils derived from milk
- (f) 04.06.10-90 Cheese and curd
- (g) 35.01.10 Casein";

- that Article 1 of the Protocol Regarding Certain Milk Powders should be read as follows:

"Article 1 - Product Coverage

1. This Protocol applies to milk powder and cream powder falling under CCCN (revised) headings Nos. 04.02.10-99 and 04.03.10-90."

- that Article 1 of the Protocol Regarding Milk Fat should be read as follows:

"Article 1 - Product Coverage

1. This Protocol applies to milk fat falling under CCCN (revised) heading No. 04.05.00, having a milk fat content equal to or greater than 50 per cent by weight."

- and, that Article 1 of the Protocol Regarding Certain Cheeses should be read as follows:

"Article 1 - Product Coverage

1. This Protocol applies to cheeses falling under CCCN (revised) heading No. 04.06.10-90, having a fat content in dry matter, by weight, equal to or more than 45 per cent and a dry matter content, by weight, equal to or more than 50 per cent."

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The Council noted that some participants had not yet implemented the Harmonized System, and agreed that for each of those participants the old version of Article II of the Arrangement and of Article 1 of each of the Protocols would remain valid until such participant would have implemented the Harmonized System."

E. Participation in the work of the Council and the Committees

49. The representative of the European Communities reiterated the view that a successful outcome of the Uruguay Round negotiations not only for dairy products but in a wider context, would be greatly facilitated if the United States could participate in the Arrangement. He would prefer a letter being sent to the United States inviting them to return to the table at least as an observer, but preferably as a full member. The Community had included this as an emergency matter in its proposal made in the framework of the Uruguay Round. He added that Austria as well should be invited to return to the Arrangement.

50. The Chairman recalled that a letter he had addressed to the United States delegation some time ago was still without response. Recognizing the situation when the United States had left the Arrangement, and taking into account that the United States ideology and views with respect to commodity arrangement did not seem to have changed significantly since then, he felt that a reminder or another letter at this stage would not result in a response as hoped for. His personal view was that it might be better to revert to the matter after the mid-term review. The matter was a serious one which merited careful consideration. He would prefer to leave the matter quiet for the moment and if appropriate revert to the question at the next session of the Council. The representatives of Australia and Finland supported the view expressed by the Chairman. The Community representative admitted that the view expressed by the Chairman was a realistic one and he would not insist on another letter being sent to the United States now.

51. The observer of Canada said that the issue of more active participation in the Arrangement was under consideration by his authorities. He noted that changes in the present status were not likely to be made during the middle of the current round of negotiations and that he was not in the position to give more precise information on the matter.

52. The Council took note of the comments made and agreed that it might revert to the matter of greater participation in the Arrangement at its next session.

F. Report to the CONTRACTING PARTIES

53. The Chairman recalled that according to a decision of the CONTRACTING PARTIES of 28 November 1979 (BISD 26S/201) the Council was requested to report on its activities.

54. The Council agreed that the Chairman should submit on his own responsibility a concise, but purely factual report to the CONTRACTING PARTIES on the activities of the International Dairy Products Council and of the Protocol Committees since the 1987 session of the CONTRACTING PARTIES.

G. Tentative schedule of further meetings

55. The Chairman recalled that according to the Rules of Procedure, the International Dairy Products Council shall normally meet in March and September of each year (Rule 3), and the Committees in March, June, September and December of each year (Rule 16). For some time, it has been the tradition of the Council to establish at its September session a tentative schedule of future meetings.

56. The Council consequently adopted the following schedule of meetings:

1988

13-14 December      Committee of the Protocol Regarding Milk Fat  
                         Committee of the Protocol Regarding Certain Cheeses  
                         Committee of the Protocol Regarding Certain Milk Powders

1989

20-21 March          Committee of the Protocol Regarding Certain Milk Powders  
                         Committee of the Protocol Regarding Milk Fat  
                         Committee of the Protocol Regarding Certain Cheeses

22 March              International Dairy Products Council

19-20 June            Committee of the Protocol Regarding Certain Cheeses  
                         Committee of the Protocol Regarding Certain Milk Powders  
                         Committee of the Protocol Regarding Milk Fat

18-19 September    Committee of the Protocol Regarding Milk Fat  
                         Committee of the Protocol Regarding Certain Cheeses  
                         Committee of the Protocol Regarding Certain Milk Powders

20 September        International Dairy Products Council

11-12 December     Committee of the Protocol Regarding Certain Milk Powders  
                         Committee of the Protocol Regarding Milk Fat  
                         Committee of the Protocol Regarding Certain Cheeses

57. Any special session will be in addition to this schedule. It should be noted that such a tentative schedule of meetings is established for preliminary reference only and all dates will remain subject to confirmation by the secretariat. Attention of delegations is however drawn to the very heavy schedule of GATT meetings throughout the remainder of 1988 and 1989 and to the fact that it may be necessary to make changes on

short notice. However, in view of the difficulties such changes may cause to some delegates it was stressed that they will only be made when absolutely necessary.

H. Note by the Chairman on the present meeting

58. The Chairman recalled that according to a decision of 28 November 1979, (BISD 26S/201) the CONTRACTING PARTIES should receive adequate information on developments relating to the operation of the Arrangement. He accordingly suggested that he as usual circulate a note by the Chairman as follows:

"1. The International Dairy Products Council held its nineteenth session on 20 September 1988.

2. Under Rules 11 and 14 of the Rules of Procedure, the Council invited representatives of Panama and the Economic Commission for Europe, FAO, IMF, OECD and UNCTAD to attend the session as observers.

3. The Council reviewed the functioning of the Arrangement. It took note of reports on the implementation of the Protocol Regarding Certain Cheeses, the Protocol Regarding Certain Milk Powders and the Protocol Regarding Milk Fat.

4. The Council took note of the information submitted recently in reply to Questionnaires 4 and 5, concerning products not subject to the provisions of the Protocols and concerning domestic policies and trade measures. It was recalled that the inventory based on replies to Questionnaire 5 would soon be due for a complete updating and revision, and participants were urged to take the necessary steps at an early stage to ensure that the relevant information would reach the secretariat in due time.

5. World milk production declined by almost 1 per cent from 1986 to 1987, and the upward trend which had lasted for twenty years was temporarily halted. In 1988, world milk production returned to its

level of 1986. A further decline in milk deliveries in the Community and other European countries was more than outweighed by a recovery in New Zealand milk production and that of the United States and Canada and a further substantial increase in the USSR.

6. The immediate result of reduced milk deliveries in 1987 was a spectacular reduction in intervention stocks of butter and skimmed milk powder, notably in the European Communities and the United States. Increased exports also helped in reducing surplus stocks. In autumn 1988, there were hardly any surplus stocks of dairy products.

7. There was an appreciable recovery in international trade in cheese and milk powders in 1987, and prices firmed up throughout the year. Whole milk powder was to an increasing extent replacing condensed milk, and international trade in the latter fell again in 1987. International trade in cheese and whole milk powder grew further in 1988, with prices continuing to firm up. There was also some recovery in butter trade, but this was largely due to special sales of old butter or butter oil made from old butter at extremely low prices and by derogation from the price provisions of the Arrangement. Prices for fresh butter were firming and were expected to continue to do so in expectation of an improved balance between supply and demand in 1988/89. Reduced butter production in several areas entailed a significant reduction in supplies of skimmed milk powder. International trade in skimmed milk powder was, however, less affected as exports were to some extent maintained by drawing down on stocks and reducing the use for feed. Some developing importing countries nevertheless experienced difficulties in covering their import requirements of skimmed milk powder in 1988. In late summer 1988, the market outlook indicated that dairy prices in the world market, notably for cheese and powder, would remain high or even increase further in 1988/89.

8. During the annual review of the minimum export prices, the Protocol Committees had decided to raise the minimum export prices for all products covered by the Protocols. New minimum export prices,

effective 21 September 1988 are as follows, per ton f.o.b.: anhydrous milk fat US\$1,500, butter US\$1,250, certain cheeses US\$1,350, whole milk powder US\$1,150, skimmed milk powder and buttermilk powder US\$1,050.

9. For its traditional evaluation of the situation in, and outlook for the world market for dairy products, the Council, in addition to the reports from the Committees of the Protocols, also had before it documents prepared by the secretariat, notably a status report on the world market for dairy products, a note on food-aid operations and relevant statistical information. The Council took note of the documents and comments made, and agreed that the status report as completed, updated and amended should be released for general distribution as the ninth annual report of the International Dairy Arrangement. It also noted the view expressed that the Arrangement had worked very well and had been a most valuable instrument in restoring the order in the international dairy market.

10. The Council noted that most participants had already implemented the Harmonized System and that others would do so shortly. It was accordingly agreed to bring the language of the relevant Articles of the Arrangement and the Protocols into conformity with the new commodity description and coding system. The Council agreed that for participants not yet having implemented the Harmonized System, the old version of the Articles concerned would remain valid until such participant would have implemented the new commodity description and coding system. The decision will be circulated in document DPC/30.

11. The Council authorized the Chairman to submit to the CONTRACTING PARTIES a report on the work done since November 1987 in pursuance of the objectives of the International Dairy Arrangement. It was understood that the Chairman would do so on his own responsibility.

12. The Council adopted a tentative time schedule for regular meetings up to the end of 1989. In doing so, it was understood that any special session would be in addition to that schedule and that all dates would remain subject to confirmation by the secretariat. Attention of delegations was drawn to the very heavy schedule of GATT meetings throughout the remainder of 1988 and 1989 and to the fact that it might be necessary to make changes on short notice."

59. The Council agreed to the suggestions by the Chairman and the note was circulated in document L/6396 dated 22 September 1988.

60. The nineteenth session of the International Dairy Products Council was then closed.