

GENERAL AGREEMENT ON

RESTRICTED

Spec(90)17

8 May 1990

TARIFFS AND TRADE

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES
COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS
COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

Report of the Forty-First Session

19-20 March 1990

Introduction

1. The three Protocol Committees held a joint session on 19-20 March 1990 to discuss matters relating to the operation of the three Protocols.

Adoption of the agenda

2. The Committees adopted the following agenda:

- A. Election of Chairman and Vice-Chairman
- B. Adoption of report on the fortieth session
- C. Information required by the Committees:

(i) Replies to questionnaires (respectively

Questionnaire 3: Certain cheeses

Questionnaire 1: Certain milk powders and

Questionnaire 2: Milk fat)

(ii) Summary tables

(iii) Other information

- D. Transactions other than normal commercial transactions
- E. Sales under derogation
- F. Review of the market situation for products covered by the Protocol
- G. Oral report to the Council
- H. Other business

Election of Chairman and Vice-Chairman

3. In accordance with Rule 15 of the Rules of Procedure, the Committees elected Mr. Kjell Lillerud (Norway) as Chairman of the three Committees for 1990; no Vice-Chairman was elected. Warm tributes were paid to the outgoing Chairperson Mrs. Jo Tyndall (New Zealand), for the excellent work done during her tenure of this office.

Adoption of reports on the fortieth session

4. The report of the fortieth session was adopted as corrected and distributed in document DPC/PTL/9.

Information required by the Committees

(a) Replies to Questionnaires 1 to 3

5. The Committees reviewed the replies to Questionnaires 1 to 3 and requested participants who had not yet submitted such information in respect of the fourth quarter of 1990 to do so without further delay. They were also requested to provide the necessary information in respect of the first quarter of 1990 by 15 June 1990, at the latest.

(b) Summary tables

6. The Committees took note of the summary tables based on information provided by participants in Tables A and B of the questionnaire in respect of cheeses, skimmed milk powder and whole milk powder and milk fat and issued respectively in documents DPC/PTL/W/14, DPC/PTL/W/15 and DPC/PTL/W/16. The Committees were informed that these figures would be further updated as soon as more recent information was made available.

(c) Other information

7. The Committees took note of the information which the secretariat had compiled on production, trade, stocks and consumption of dairy products in the United States. Data related to the fourth quarter of 1989 and also gave forecasts for the first quarter and the whole of 1990.

8. In reply to a question, the secretariat informed that in 1989 the United States concluded with the USSR a sale of 50,000 tons of butter at a price of US\$1,600 per ton f.o.b. with deliveries to be effected between December 1989 and March 1990. Total exports of butter for 1989 were estimated at 40,000 tons and according to the USDA, the volume was forecast to increase to 90,000 tons in 1990, including further possible sales to the USSR.

Transactions other than normal commercial transactions

9. The representative of New Zealand observed that an increasing volume of aid and humanitarian assistance was currently being given to the East European countries and the USSR. While it was a commendable gesture, the participants should ensure that it did not undermine the normal commercial trade. It was important that the standard international disciplines were respected by following the procedures of the CSD and the provisions of the International Dairy Arrangement concerning the minimum prices were strictly observed.

10. The delegate of Australia informed the Committees that in the fourth quarter of 1989 his country had granted, through the World Food Programme, dairy food aid to three countries. Among these were Panama receiving 21 tons of skimmed milk powder worth US\$41,000; Bolivia receiving 576 tons of skimmed milk powder worth over US\$1 million; and, Cuba receiving 603 tons of the same worth US\$1.76 million.

11. In this connection, he also expressed his serious concern at the reported sale of substantial quantities of dairy products by one member of the European Community (the Federal Republic of Germany) to the USSR at highly subsidized prices. According to the available reports the subsidies provided by the Federal Republic of Germany were in addition to the export restitutions given by the EC. Since Australia had a commercial interest in the USSR market it was therefore interested in obtaining more details about this transaction and in seeking an assurance that this agreement was not in contravention of the Community's international obligations under the CSD and the IDA.

12. The spokesman of the Community acknowledged that one of their member countries had indeed provided some financial assistance to the USSR to enable it to buy certain food and dairy products. The decision was however totally political in nature and had been taken in very special political circumstances, which could not be discussed in a technical Committee like this one. He could, however, assure the Protocol Committees that the minimum price provisions of the International Dairy Arrangement would be fully respected when the deal was signed with the USSR. In the context of non-commercial transactions, he further mentioned that the European Community had recently exported two instalments of 5,000 tons each of butter to Romania under the food-aid programme.

13. The Committees took note of the information provided and the comments made by the participants.

Sales under derogation

14. The Committees noted that no sales of cheese, milk powders and milk fat had taken place under derogation due to continuing improved market conditions in the fourth quarter of 1989.

Review of market conditions for products covered by the three Protocols

15. The Community dairy cow number at the end of 1989 at 23.15 million, showed a further drop of 1.6 per cent as compared to the previous year. Between 1983 and 1989 the dairy cow number had decreased by 16.4 per cent. Milk deliveries in 1989 at 98.8 million tons as against 99.2 million tons in 1988 were only 0.4 per cent lower, but the overall drop between 1983 and 1989 was 10 per cent.

16. With regard to various dairy products, butter production increased by 1.4 per cent and skimmed milk powder output was 6.5 per cent higher in 1989; production of other milk powders was 3 per cent lower. Butter output at 1,712,900 tons in 1989 compared favourably with 1,689,100 tons in 1988; and milk powders at 2,353,800 tons in 1989 compared with 2,282,300 tons in 1988. However, for the period 1983-1989, total butter production showed a drop of 26 per cent and that of powders a drop of 25 per cent.

17. With regard to consumption, it was interesting to note that the consumption of fresh products was consistently increasing despite the quota system restricting milk production. In 1989, the overall consumption was 1 per cent up. It was estimated that more than 30 per cent of milk production was being consumed in the form of fresh products. However, in the case of butter consumption, which had been continuously declining, decreased for the first time by as much as 8.4 per cent in 1989 in relation to 1988. Consumption of cheese, on the other hand, increased by 1.1 per cent in 1989 in relation to 1988.

18. Domestic market prices, influenced by the decline in domestic production, had increased since 1987. In the case of butter, the increase was 10 to 15 per cent and in the case of skimmed milk powder the increase

was as much as 30 per cent over the intervention price. Since October 1989, prices had dropped particularly due to a decline in prices in the world markets triggered by a low-price sale of butter by the United States to the USSR and also due to lethargic international market conditions. The EC was unable to sell milk fats, in particular, after it had delivered previously contracted quantities. Since then, price levels seem to have stabilized around US\$1,400 per ton for butter, although, according to some indications, offers might have been made at US\$1,350 per ton, i.e. at the agreed minimum prices. With regard to skimmed milk powder, the drop in prices was slower and began already in 1989, to reach a level of US\$1,650 per ton in the international market. According to the information available, offer prices in the world market fluctuated between US\$1,050 and US\$1,500 per ton f.o.b.

19. Average export prices on the international market were reckoned at US\$1,660 per ton for skimmed milk powder; US\$1,650 per ton for whole milk powder; US\$1,450 per ton for butter; US\$1,950 per ton for butter oil; and, US\$2,000 per ton for Cheddar cheese.

20. On 15 March 1990, public stocks of butter stood at 68,000 tons and private stocks were 20,000 tons. On the same date, public stocks of skimmed milk powder were around 9,000 tons.

21. With regard to exports by the Community, the most recent figures showed that exports of skimmed milk powder in 1989 declined by 36 per cent, from 569,600 tons in 1988 to 376,700 tons in 1989. Exports of butter (including butter oil) also fell by 40 per cent, from 516,000 tons in 1988 to 360,000 tons in 1989 (including exports to the Soviet Union). Exports of whole milk powder receded by some 5 per cent.

22. As regards the future outlook, the price situation seemed to be improving both within the Community and on the world market. The Community traders were again able to sell butter oil and milk powders, in particular. Considering that the period of stagnation was too long (from the fourth quarter of 1989 to the beginning of March 1990), demand had picked up remarkably on the international market and it was expected that world trade would further recover with some stability in prices.

23. In reply to an Australian question as to how much of the SLOM quota had been allocated, the representative of the Community made it clear that the 600,000 tons of additional quota reserve agreed by the EC Agriculture Council following the judgement of the European Court of Justice to accommodate the needs of SLOM producers was not necessarily likely to be used or distributed to producers (document DPC/INV/4/Add.8). It was understood that only 500,000 tons were allocated and this amount would not be produced before 1991, considering that there had been an interruption of ten years in dairy activity by these producers. Referring to what he had said earlier, the additional 1 per cent increase resulting in about 1 million tons in milk production was accompanied by certain counter-balancing measures, including a 2.5 per cent cut in the intervention price for butter, a 0.75 per cent cut in the intervention price for skimmed milk powder and a 15 per cent increase in the amount of the super levy. The last measure was meant to prevent farmers from exceeding their quotas. Recent declining butter and skimmed milk powder export figures of the EC very clearly confirmed that the quota reserve increase was neutral in its effects. As could be seen, the EC's share in the world butter export market had dropped from some 60 to 40 per cent, while that for skimmed milk powder had dropped from 50 to 41 per cent and for whole milk powder from 67 per cent to 64 per cent. The fears regarding the EC's milk production were, therefore, unfounded, because the Community had continued the process of reducing its support and stabilizing its production. As to the question of what quota level was expected for the current year, he was not in a position to provide this information as yet. Responding to another question as to whether with the unification of Germany, the Community's milk production would increase, he believed that it was premature to speculate about their export potential since the German Democratic Republic was still neither a member of the GATT nor a participant in the International Dairy Arrangement. In response to Uruguay's request, the EC spokesman provided detailed export data by destination and import data by origin in 1987 and 1988, which was later distributed to participants and would also be incorporated in summary tables prepared by the secretariat. Data for 1989 was not expected to be available before June 1990.

24. In Hungary, the trend towards a continuous decline in the dairy cow number, which began in 1980, was reversed in 1989. Milk production, on the other hand, increased by over 1 per cent to reach a level of 2.86 million tons in 1989, due to improved technology and higher yields.

25. As regards different products, the output of cheese in the fourth quarter of 1989 increased by 300 tons and for the whole year also showed a small increase of half a per cent to reach a level of 58,600 tons as compared to the level in 1988. Consumption in 1989 was, however, down to 46,700 tons from a level of 50,500 tons in 1988. Exports increased from 7,200 tons in 1988 to 10,000 tons in 1989, reflecting a shrinking demand on the domestic market. The most important export destinations were the Middle East countries, taking 3,700 tons (including Saudi Arabia, Kuwait, Lebanon and Gulf countries), Austria, the United States and some EC member countries.

26. The production of skimmed milk powder in the fourth quarter of 1989 dropped to 3,200 tons from a level of 4,100 tons in the corresponding period of the previous year. In 1989, as a whole, a small increase of 500 tons was recorded when production reached a level of 22,900 tons. Consumption during 1989 dropped by some 2,000 tons to a level of 19,000 tons, the drop being mainly for animal feed purposes. Only about 700 tons of skimmed milk powder was imported in the first half of 1989, while there were no imports in the second half of the year. Exports in the first half of 1989 totalled 3,300 tons as against only 1,000 tons in the second half. The main destination was Austria.

27. Butter production showed a small increase of 200 tons in the fourth quarter of 1989, reaching a level of 8,400 tons. Production for the whole of 1989 was 37,100 tons as against 34,100 tons in 1988. Consumption, however, dropped significantly to a level of 32,200 tons as against 34,000 tons in 1988. There were no imports of butter. Exports somewhat increased to 3,800 tons in the first half of 1989; their level in the second half of the year being 1,200 tons. The bulk of exports were to Austria (3,900 tons) and the USSR (700 tons).

28. In reply to an Australian question as to what kind of economic reforms were in the process of being introduced, the delegate of Hungary said that his country was not currently as much in the headlines because these reforms had been introduced over a period of the past twenty years and experiments with market economy had long been attempted. A clearer picture regarding the future government policies, was likely to emerge after the impending general elections. Replying to another question by the representative of New Zealand as to whether exports to Austria were destined for other markets, he admitted that while the possibility of re-exports could not be excluded, he himself had no such information.

29. In Japan, milk production continued to increase and during the last nine months of 1989 was 5.9 per cent higher than the level in the corresponding period of 1988 due to an increase in demand for drinking milk. Production of drinking milk had shown a steady increase in recent years and during the period between April to December 1989, had increased by 3.4 per cent compared to its level of last year, while the increase in production of processed milk products amounted to 10.5 per cent, showing a recovery from a sharp decline in the previous two years. In 1989, the market situation with regard to skimmed milk powder and butter remained tight and, therefore, the LIPC had to import 8,000 tons of each product to ease pressures on the market.

30. Cheese output in 1989 was 27,000 tons, which was 2.3 per cent above the level of 1988. Imports of natural cheese, which accounted for 80 per cent of the total domestic cheese consumption, remained almost the same as in 1988. Average import price of natural cheese during the fourth quarter of 1989 ranged between US\$1,981-US\$2,814 per ton c.i.f. and the average price in December was over US\$2,600 per ton c.i.f.

31. The production of skimmed milk powder in 1989 was 12 per cent above the level for the previous year. Imports during 1989 decreased from 130,000 tons in 1988 to 99,000 tons, mainly due to a decline in imports for animal feed purposes which was caused by higher international market prices. Average import price for human consumption purposes and for animal

feed purposes during the fourth quarter of 1989 remained high at US\$2,081 and US\$1,750 per ton c.i.f. respectively.

32. Butter production in 1989 showed an increase of 10,000 tons over the previous year. Imports totalled another 10,000 tons, as compared to 23,000 tons in the previous year, thus showing an improvement in the supply and demand situation in the second half of 1989. Average import price in the last quarter of 1989 was still high, ranging between US\$2,340 and US\$2,448 per ton c.i.f.

33. In reply to a question by the EC as to how trade in dairy products had been liberalized after the GATT panel report on "Japan - restrictions on imports of certain agricultural products" (L/6253), adopted by the Council on 2 February 1988, the delegate of Japan referred to document L/6389, dated 12 September 1988, which contained detailed information on market-opening measures regarding imports of certain agricultural products. Specific market-opening measures concerning various dairy products were summarized on a separate sheet of paper circulated to participants in the course of the meeting. As to the EC observations that certain dairy products had been reclassified for quota purposes, he categorically stated that no such reclassification had been made by his Government and the quotas had been liberally determined for different products. In reply to another EC question, he informed that Japan had imported 2,200 tons of skimmed milk powder from Poland in January 1990 at a price of US\$1,726 per ton c.i.f. Statistics for February and March were still not available, and estimates for 1990-91 were as yet not possible. The fact that Japan was importing 80 per cent of its total domestic cheese requirements clearly demonstrated that its market was not restricted.

34. In New Zealand, production of manufacturing milk in the 1989/90 season (ending 31 May 1990) would be close to the average of the last five years - 7.1 million tons as compared to the five-year average of 7 million tons. This was approximately 5 per cent below the peak production of 1985/86, but about 6 per cent more than in the last season of 1988/89, reflecting sharp seasonal variations linked with climatic conditions.

35. In terms of dairy products produced from this milk, cheese and whole milk powder production would be reduced in 1989/90; cheese from 128,000 tons in 1988/89 to 122,000 tons and while milk powder from 181,000 tons to 161,000 tons, reflecting the relatively poor market conditions since these products were produced against firm market requirements. The reduction in cheese production was particularly the result of developments in the Japanese market where New Zealand received particularly poor returns because of heavy export subsidies paid by the European Community and others. A reduction in cheese and whole milk powder meant that more butter and skimmed milk powder were produced. Butter production would increase from 246,000 tons last year to 273,000 tons in the current season and skimmed milk powder from 154,000 tons to 170,000 tons. The supply position for both of these products was comfortable despite the additional production. However, the limited size of available markets for butter always posed a problem. The production of casein was also expected to be higher during the current season, up from 54,000 tons to about 60,000 tons.

36. As regards the general market situation, some disappointing developments had taken place since the previous Protocol Committees meeting in December. Some products had been affected more than others, but the general tendency had been for prices to decrease. These changes had been brought about primarily: (i) by developments in supply and prices within and from the EC; and (ii) the level and pattern of purchases of butter by the USSR. International dairy markets had been undergoing a major transformation since 1986 with the excessive production in the EC engendered by the high internal prices, which had been partly pulled back by the introduction and tightening of milk quotas. The experience of the last few months, however, showed that that process of adjustment had still to be completed.

37. Export prices were currently in the range of US\$1,350-US\$1,400 per ton f.o.b. for butter and US\$1,625-US\$1,675 per ton f.o.b. for butter oil. The situation was disappointing compared to the situation prevailing last December when prices for butter were in the range of US\$1,600-US\$1,650 per

ton f.o.b. and for butter oil US\$1,900-US\$2,000 per ton f.o.b. The situation was even worse when compared to the prices in the first half of 1989, the range being US\$1,900-US\$2,000 for butter and US\$2,150-US\$2,250 per ton f.o.b. for butter oil. A major cause of the fall in prices was the USSR market which dominated all international trade in butter, accounting for 60 per cent of all imports. It emerged in 1989 from the shadow of the successive disposal sales of the Community, last of which was completed in July 1988, and by the middle of 1989 was being re-established as a commercial import market paying commercial prices. Since then, however, certain unfortunate developments had turned the tide. The United States sale of 50,000 tons of butter last year at a price of US\$1,618 per ton f.o.b. triggered the downward trend, since it was well below the price prevailing and that expected from other suppliers. Following that sale, the European traders were unable to make sales they had expected to make to the USSR and as a result there was a collapse of internal butter prices in the Community. These internal prices previously had been at a premium above the support price, but they now fell sharply and were reflected in lower export prices pending the adjustment of restitutions by the Community. The reduction from the beginning of November to the end of December was of the order of US\$400 per ton. In January, the USSR started buying butter again. By this time other suppliers, such as New Zealand, which made a sale of 70,000 tons, were forced to pitch their prices in relation to the reduced prices being offered by the Community. On 22 February, the Community increased its export refunds for butter, butter oil and whole milk powder and this resulted in further automatic and general reduction in export prices down to their current levels. So for all practical purposes, the prices for butter and butter oil currently were at or slightly above the GATT minimum and all exporters were confronted with the danger that they did not fall further. The key market would continue to be the Soviet Union and New Zealand believed that they had substantial purchases of butter to make this year and how these purchases and sales were handled would be critical to the market. What would happen in the market would depend on the export policies of major suppliers such as the EC and the United States. Consumption trends in the Community would also be important. The situation appeared to have stabilized recently.

The EC had taken measures to encourage the use of concentrated butter for kitchen purposes. Secondly, New Zealand had sold 70,000 tons of butter, which it had been holding since August last year and could not sell at reasonable prices to the Soviet Union which was its major market after the loss of the British market. It was therefore vital that New Zealand made a major sale every year to the Soviet Union to keep its stocks at tolerable levels. Another positive factor in the current situation was the impression that the EC was not likely to further increase its export restitutions. This was important because the level of export restitutions was instrumental in determining where the market was pitched. All these developments pointed towards a gradual improvement and stabilization of the international dairy market.

38. The market situation with regard to milk powders (notably skimmed milk powder) was relatively better than butter. Export prices from major suppliers were currently in the range of US\$1,650-US\$1,700 per ton f.o.b. The range was lower than a year ago when prices were between US\$1,900 and US\$2,000 per ton f.o.b. However, prices remained about twice the level of those prevailing in much of 1980 and therefore it could not be said that current prices were entirely unsatisfactory. Last year was a period of major turbulence for prices in the domestic markets of the major producing countries. In the EC, prices trended down for much of the year and had now returned to the support level after having been sustained at substantial margins above this level through 1988 and 1989. The decline in domestic prices had been probably offset by huge export refunds but not completely. This was not reflected in the lower export prices now prevailing. In the United States, internal prices of skimmed milk powder climbed to record high levels in 1989 but had now returned to the CCC buying-in price. The market for skimmed milk powder generally appeared to be stable and well balanced. Stocks appeared to increase seasonally in the EC and the United States, but they were at historically low levels and manageable. Export prices had stabilized at current levels, but could improve as the seasonal increase in Northern Hemisphere supplies was over.

39. In regard to whole milk powder, the market remained fundamentally strong. It had been adversely affected by developments in the butter market. Prices currently were in the range of US\$1,550-US\$1,600 per ton f.o.b., which were substantially lower than a year ago when they were between US\$1,900 and US\$2,000 per ton f.o.b. and further a step down from the levels reported at the last meeting of the Protocol Committees. The market had been influenced by the same factors as the market for the skimmed milk powder. However, there had also been the additional impact of an increase in EC export subsidies of US\$70 per ton in February of this year.

40. The market situation in the cheese sector was adversely affected by developments in the markets for the base products, butter and skimmed milk powder, especially the butter. The dramatic fall in the EC butter prices, beginning in November of last year, had flowed through and affected cheese markets. Prices in the European cheese markets fell by 4-6 per cent between November and January. This amounted to some US\$200 a ton and even more for some varieties, including Cheddar. Because the internal reductions in prices were not offset by a reduction in export restitutions, export prices were similarly affected. Of particular concern was the effect on the Japanese market where confidence of buyers had been adversely affected and the market disrupted and prices had unnecessarily eroded. However, it was expected that the greater stability now emerging in the markets for skimmed milk powder and butter should also stabilize and improve export price prospects for cheese. Prices currently were in the range of US\$1,700 and US\$1,900 per ton f.o.b.

41. The representative of the European Communities shared the concern expressed regarding the butter market, especially in light of the sharp fall in butter consumption in many countries. He agreed that sales of substantial quantities of butter at a price of US\$200 per ton below the prevailing world market prices triggered the downward slide in prices. In October 1989, the United States sold 50,000 tons of butter to the USSR at US\$1,618 per ton f.o.b. This was a warning signal. Later in December, Finland sold 8,000 tons of butter at a price above that of the United

States at US\$1,650 per ton, which at that time was the going market price. Sales of butter at around US\$1,600 per ton, when Community exporters were asking for US\$1,800 per ton, and in any case not less than US\$1,650 per ton, severely damaged the interests of all exporting countries. He also did not agree that the EC through its restitution levels was responsible for the ensuing malaise in the butter market. The EC had increased its refunds, after New Zealand had sold large quantities of butter to the USSR at US\$1,450 per ton, to remain competitive in that market. On his part, he could reassure that the Community was determined to respect its obligations under the GATT and the International Dairy Arrangement. The Community had taken certain measures to restore the balance in the market, while some other countries had done nothing or even taken advantage of the results of the Community's efforts. Since the introduction of quotas in 1983, the Community dairy herd had been reduced by 19 per cent; milk deliveries by 11 per cent; butter production by 25 per cent and output of milk powders by 45 per cent. Furthermore, both indicative prices and intervention prices had been lowered and financial incentives given to producers in exchange for giving up milk production. Sales to intervention bodies had been made more difficult in order to prevent the accumulation of surplus stocks in butter and skimmed milk powder. The EC's increase of 1 million tons in quota reserve was mainly for structural improvement in the quota system and had no impact on total world supplies.

42. Replying, the delegate of New Zealand said that he did not accuse the EC for pushing international prices downwards, but it was evident that restitution levels did effectively set the world market prices and bring forth the additional supplies, thus causing further pressure on prices. The theory that export subsidies had no effect on prices could therefore not be sustained. As regards exports to the USSR, he observed that this was the most important butter market in the world and his country had regularly exported substantial quantities of butter to this market for more than ten years. The dependence on this market increased as access to the EC market for butter was progressively reduced. In 1989, New Zealand had been unable to conclude any sale to the USSR, inter alia, because of sales to that market by the United States. In January 1990, it exported, for the

first time since 1988, 64,000 tons of butter. It had held out as long as it could, but with burgeoning stocks it could not afford to go on to the next season without making the sale. It should be noted that New Zealand exported butter to make a living and to maximize its profits. The price achieved was the best that could be realized on that market and it was wrong to allege that New Zealand had undercut the prevailing market price by US\$200 per ton. Community export prices had fallen steadily since November 1989, as had internal prices and there was a possibility of further reduction in the Community's intervention prices from 1 March 1990 with no corresponding reduction in export refunds. On the contrary, export refunds for butter had lately been increased, forcing world market prices down by increasing the volume offered for sale to increase. New Zealand's offer price of US\$1,450 per ton f.o.b. should therefore be seen in relation to significantly higher freight costs to the USSR, since the price at which the product was delivered had to be competitive. He appreciated the EC's efforts to stabilize the international dairy market, but felt that these were far from being adequate. In his view, the aim should not only be the stabilization of markets but also trade liberalization with free play of market forces. Replying to another EC question, he informed the Committees that New Zealand had sold 64,000 tons of butter to the USSR from the current season's production and had no longer any butter for the international market. However, exports of the order of 60,000-70,000 tons were likely to be made to the USSR from next season's production in September.

43. In Poland, the system of subsidization of agricultural products was abolished on 1 August 1989 and prices were now determined by supply and demand. The deregulation of prices after forty years of State control meant a drastic change for consumers. Not only were the distribution channels being changed, export system was also being modified. All these changes were expected to take some time to affect the working of the economy. The situation in the dairy sector appeared to be stable, with no change in production. Polish imports of butter had lately dropped (30 per cent in the fourth quarter of 1989 as compared to the same period of the last three years) because of a drop in consumption. Until recently, Poland

had one of the highest per capita consumption of butter (8 kgs.), but it had fallen due to higher prices and a change in dietary habits.

44. In South Africa, the dairy industry experienced a small shortage during 1988/89, which was overcome by imports. In 1989, milk production continued to increase and there was a small surplus of milk which could be turned into possible exports of skimmed milk powder in 1990. On an annual basis, milk production was estimated to have increased by 3 per cent. In the fourth quarter of 1989, it was 524,376 tons, but was expected to decrease by 6.3 per cent to a level of 491,325 tons in the first quarter of 1990. Milk consumption, on the other hand, was expected to increase from 462,945 tons in the first quarter of 1990.

45. The production of skimmed milk powder, as estimated by the Dairy Board, would be 6,408 tons for the first quarter of this year. This would be 16.3 per cent higher than in the same period last year. Consumption was expected to be around 4,667 tons or 9.4 per cent more than in the fourth quarter of 1989. Exports in the first quarter were expected to be 1,054 tons and stocks were likely to reach a level of 8,800 tons by the end of March 1990.

46. The production of whole milk powder in the fourth quarter of 1989 at 2,938 tons was expected to decrease to 1,637 tons in the first quarter of 1990. Consumption in the same period was a little lower than expected, but was expected to be around 1,953 tons in the first quarter of 1990. Exports in the fourth quarter were 286 tons dropping to 100 tons in the first quarter of 1990. Stocks at the end of March would be around 1,758 tons.

47. Butter production was 13 per cent higher than expected in the fourth quarter of 1989, and in the first quarter of this year was likely to reach a level of 4,876 tons. Consumption, in the first quarter, was expected to be 4,106 tons. During the fourth quarter of 1989, imports of butter totalled 650 tons as against 85 tons exported. In the first quarter of 1990, these were estimated to total 720 tons and 67 tons respectively.

48. Production of Gouda cheese in the first quarter of 1990, was estimated at 5,578 tons while that of Cheddar at 4,374 tons. Consumption of cheese at 10,069 tons was likely to be 6 per cent higher than in the first quarter of 1989. No imports or exports were expected and stocks for cheese were likely to reach a level of 9,992 tons by the end of March 1990.

49. In reply to an EC question as to what measures were applied to imports of exotic cheeses, the delegate of South Africa stated that a permit system was used by the Dairy Board on behalf of the Ministry of Agriculture for importing most of the cheeses.

50. In Finland, milk deliveries to dairies in 1989 were 2,547 million litres, i.e. 0.7 per cent more than in 1988. Due to an exceptionally good harvest year the average yields per cow recovered after two bad years, but the number of cows was reduced by 26,000 head or by 5 per cent. Estimates for 1990 indicated that deliveries would decrease by 0.3 to 2.6 per cent, staying within the range of 2,480-2,540 million litres.

51. Butter production in 1989 was 1.3 per cent higher than in 1988. While consumption fell by 12 per cent, stocks had increased. Exports of butter amounted to 20,000 tons at an average price of US\$1,730 per ton f.o.b. Prices remained unchanged during the fourth quarter of 1989. Stocks at the end of the year were 14,000 tons.

52. Cheese output increased by 4.4 per cent to 90,400 tons in 1989. About 26,300 tons were exported at an average price of US\$3,380 per ton f.o.b. At the end of 1989, cheese stocks amounted to 10,000 tons.

53. The production of skimmed milk powder decreased by 7.4 per cent to 26,000 tons in 1989. Due to a fall in domestic consumption by almost one fourth, the stocks increased by 72 per cent to a level of 17,000 tons. About 2,000 tons were exported at an average price of US\$1,610 per ton f.o.b.

54. The whole milk powder production fell by 20 per cent during 1989. About 6,000 tons were exported at an average price of US\$1,820 per ton f.o.b. Stocks at the end of the year were reckoned at 5,200 tons.

55. In reply to a question by the EC spokesman, the Finnish delegate stated that butter export prices tended to deteriorate in the first quarter of 1990 and the total of butter exports (20,000 tons in 1989) included 12,000 tons shipped to the USSR at an average price of US\$1,650 per ton in March of 1989. The price declined later in the fourth quarter to US\$1,600 per ton f.o.b. Finland exported around 5,000 tons of butter to the USSR in the first three months of 1990, but no further indication could be given regarding the level of exports in 1990 pending the conclusion of on-going negotiations.

56. In Norway, milk deliveries in 1989 totalled 1.9 million litres, showing an increase of 2.3 per cent over 1988. Further increase was recorded in the first quarter of 1990, but was now expected to decline somewhat.

57. Total butter production in 1989 at 22,058 tons was nearly the same as in 1988. Consumption continued to decline and was 13 per cent less than in 1988, which was a result of a shift in consumer preference towards low fat products. In 1990, consumption was likely to decline further, though not as sharply as in the past. Production was expected to remain stable. About 9,200 tons of butter was exported in 1989 as compared to 6,998 tons in the preceding year. The planned donation of 825 tons of butter to Poland in the fourth quarter of 1989 under the food-aid programme, did not materialize due to an over-supply situation there.

58. Cheese production at 83,728 tons in 1989 was 10 per cent more than in 1988. Further increase of 7 to 8 per cent was expected in 1990, while domestic consumption was expected to increase by 2 to 3 per cent. Exports of cheese (mostly Jarlsberg) reached the level of 23,116 tons in 1989 and the average export price was US\$2,851 per ton f.o.b. In 1988, exports

totalled 22,960 tons and the average export price was US\$2,715 per ton f.o.b. For 1990, exports were expected to remain at about the same level, that is 2,200-2,300 tons. Imports of cheese (mostly dessert cheese) in 1989 were 1,992 tons as compared to 1,791 tons in 1988.

59. Skimmed milk powder production was still very small, but in 1989 was up by 22 per cent from 6,713 tons in 1988 to 8,209 tons in 1989. Most of the powder was returned to the producers as animal feed. Exports were negligible for 1989, while imports rose from nothing in 1988 to 600 tons in 1989.

60. Answering a question raised by New Zealand at the last December meeting, the representative of Norway informed the Committees that his country had exported 2,200 tons of butter directly to the USSR in 1989. In addition, 6,800 tons had been exported via a trading partner to Poland, some of which might have possibly ended up in the USSR.

61. In Sweden, milk deliveries to dairies totalled 3.42 million tons in 1989, showing an increase of 65,000 tons over 1988. The forecast for 1990 was that there would be about 1 per cent increase. The cow number in June 1989 at 560,000 was expected to be reduced by 5,000 cows in the first half of this year. Average yields had increased from 4,000 kgs. in 1960 to 6,000 kgs. in 1988/89. In 1989/90, the yield had further gone up to 6,300 kgs. per cow.

62. Production of cheese at 109,300 tons in 1989 was 5 per cent lower than in 1988. A slight increase was forecast for 1990. Exports remained stable at 4,100 tons. A slight decline was forecast for 1990. During the period 1985-1988, imported cheese constituted 12 per cent of total domestic consumption, in 1989 it was 14 per cent. In 1990, consumption was expected to remain stable at 130,000 tons.

63. Production and exports of skimmed milk powder were both higher in the fourth quarter of 1989 than in the corresponding quarter of 1988. Domestic consumption at 23,800 tons in 1989 dropped from the very high level of 1988

back to the more normal level of 1987. The forecast for 1990 was that production as well as stocks of milk powders would increase as a consequence of higher milk deliveries. In March 1990, the average export price for skimmed milk powder was US\$1,475 per ton f.o.b.

64. Butter production and exports had continued to decline since 1984, but in 1989 the trend was reversed and some increase was registered over the levels of 1988. Consumption, however, continued to fall as a consequence of changing consumer tastes and increased milk deliveries. In 1990, the production of butter at 47,000 tons would be 25 per cent higher than in 1988, but still below the level in 1984 when it totalled 48,000 tons. Stocks had increased and the export situation was reckoned to be difficult due to a weaker demand on the international market. In January the average export price for Swedish butter was US\$1,525 per ton f.o.b.

65. In Switzerland, milk deliveries in 1989 at 3.07 million tons as against 2.99 million tons in 1988, were 2.6 per cent higher.

66. Cheese production increased from 127,100 tons in 1988 to 130,300 tons in 1989 or by 2.5 per cent. Imports increased by over 2 per cent to 24,600 tons in 1989, while exports increased by 6.8 per cent to 63,900 tons. Consumption remained stable at 91,500 tons while stocks at the end of the year stood at 22,200 tons. The average export price for Swiss cheese was US\$6,089 per ton f.o.b.

67. Output of whole milk powder at 12,500 tons in 1989 was marginally lower than in the year before. Exports were only 600 tons while imports totalled 3,100 tons in 1989. Consumption was slightly lower than last year. Stocks were 1,600 tons at the end of the year.

68. The production of skimmed milk powder increased from 23,400 tons to 25,400 tons or by 8.5 per cent in 1989. There were no imports or exports and consumption was stable at 22,700 tons. Stocks remained constant at 5,000 tons.

69. Butter production increased by more than 11 per cent to a level of 33,100 tons in 1989; as a result, imports were lower to a level of 3,000 tons. Domestic consumption fell by 4 per cent and year-end stocks stood at 4,900 tons.

70. In response to a question by the Community as to what were the sources of Switzerland's high priced butter imports, the Swiss representative said that only high quality butter was imported and the average prices towards the end of the year had increased from SwF 2.48 per kg. to SwF 3.81 per kg. In 1989, about 1,000 tons were imported from the Federal Republic of Germany, 400 tons from the Netherlands and 500 tons from Finland.

71. In Uruguay, milk deliveries increased by 5.29 per cent from a level of 609,940 tons in 1988 to 642,180 tons in 1989.

72. The production of skimmed milk powder declined by 11.5 per cent in 1989 to a level of 8,500 tons and exports increased by the same ratio to a level of 6,800 tons. Domestic consumption fell by more than 56 per cent.

73. The production of whole milk powder, on the other hand, increased from 1,800 tons in 1988 to 2,800 tons in 1989. Exports also increased from 200 tons to 1,200 tons in 1989.

74. Production of cheese increased by 1.2 per cent from 16,200 tons to 16,400 tons in 1989, while exports increased by almost 39 per cent over the same year. Domestic consumption fell by more than 10 per cent.

75. Production of butter also increased by 2.3 per cent from 12,800 tons in 1988 to 13,100 tons in 1989. Exports dropped by nearly one third, while domestic consumption dropped by nearly 13 per cent in 1989.

76. Average export prices recorded for different products in the fourth quarter of 1989, were US\$2,065-US\$2,500 per ton f.o.b. for skimmed milk powder; US\$2,000 per ton f.o.b. for whole milk powder; US\$1,750 per ton f.o.b. for butter (US\$1,500 in more recent months).

77. Expressing his concern regarding the USSR market, the representative of Uruguay said that some 2,000 tons of butter were delivered to this market in the fourth quarter of 1989 at an average export price of US\$1,740 per ton, but since then no further deliveries had been negotiated at the prices his country had hoped for. There were no transactions in the pipeline either. He was disappointed that the minimum prices negotiated in the Committees had not functioned as a perfect safety net. Prices had been offered below the agreed minimum prices which had caused disruption in the regular trade flows. His country could not sell lately to the Russian market at prices it had been receiving before. The situation had become chaotic for certain developing countries due to sales of butter by certain other countries at below the agreed minimum prices.

78. The representatives of Argentina and Australia shared the views expressed by Uruguay and emphasized the need to protect the fundamental purpose of the International Dairy Arrangement, which was to respect the mutually agreed minimum prices.

79. In Argentina, exports of whole milk powder during the fourth quarter of 1989 at 4,033 tons showed a decline by 47 per cent in relation to the same quarter of 1988. However, for the year 1989 as a whole, exports increased by more than 80 per cent to 24,810 tons as compared to 13,762 tons in 1988. The main destinations of exports in the fourth quarter were Chile, Brazil, the Federal Republic of Germany and the total value of exports was US\$44.2 million. Export prices for these three markets were Chile US\$1,760 per ton; Brazil US\$1,830 per ton and the Federal Republic of Germany US\$1,800 per ton f.o.b.

80. The main export markets for skimmed milk powder were Brazil, Algeria and Chile with the average export prices of US\$1,850 per ton to Brazil; US\$1,570 to Algeria and US\$1,740 to Chile.

81. Butter exports in the fourth quarter went to Chile and Brazil respectively at average prices of US\$1,440 and US\$1,870 per ton f.o.b.

82. The main destinations of cheese exports were Uruguay, Malta, Japan, the Netherlands, Chile, the United States, Canada, Australia and Spain.

83. The delegate of Argentina apologized for the sketchy information presently being provided to the Committees, which was due to some delay in the receipt of relevant statistics from the capital.

84. Australian milk production, after a slow start to the season in many States, had steadily increased in recent months. National milk output during the fourth quarter of 1989 at 2,289 million litres was 3 per cent more than in the same period of last year. Dry weather conditions in certain parts of Victoria had affected production during the summer, but milk output for 1989-1990 was still expected to increase slightly to 6,300 million litres, as against 6,291 million litres in the 1988/89 season. The availability of milk for manufacturing purposes had increased by almost 2 per cent as a result of static market milk sales during the first two quarters of 1989-1990.

85. As regards the world situation, milk production in 1989 was slightly higher than in 1988, with total cow milk output estimated at around 432 million tons. Production in both the EC and the United States was very close to the 1988 levels, after having risen strongly in the last few months of the year. Milk output increased in Japan, Sweden and Switzerland, but was down in New Zealand. The irresponsible expansion of EC milk quotas for 1989-1990 and the Commission's failure to adequately enforce quota controls had largely been responsible for the recent downturn in world markets for milk products. It was expected that producers in several EC member States would now exceed their expanded allocations for 1989-1990 and further worsen the existing over-supply situation.

86. The cheese situation in Australia was that production in the fourth quarter of 1989 at 63,500 tons was 6.2 per cent down on the level of 67,700 tons in the same quarter of 1988. Of this total, Cheddar production of 46,200 tons was 3 per cent down on the previous year and the reduction was centred on round-eye and skin-type cheeses. Output in 1989-1990, as a

whole, was expected to fall by 1.2 per cent to 187,000 tons with Cheddar production remaining fairly stable around 120,000 tons. Cheese exports after falling significantly in 1988-1989 to 59,600 tons, were expected to rise to 69,000 tons or by 16 per cent. Exports in the fourth quarter at 13,900 tons were slightly down on the previous year's figure of 14,500 tons. Domestic sales of locally produced cheese in 1989-1990 were forecast to stabilize at around 127,000 tons. Imports of cheese subject to the provisions of the cheese tariff quota had remained below the available import level. However, overall imports during 1990 were up by almost 10 per cent.

87. The world production of cheese continued to increase and in both the EC and the United States it had risen. However, strong demand had effectively taken up this increase in supply and stock levels in several regions were low by historical standards. The effect of recent EC quota changes on butter/skimmed milk powder prices had flowed through into internal cheese prices and brought about a downturn in international prices. Cheddar cheese was now trading around US\$1,750-US\$1,850, which was almost US\$200 below its level during the fourth quarter. With demand from the key Japanese market being slow, owing to high stock levels, international prices were expected to stabilize around current levels. There was a continuing pressure from traders within the EC to increase refund levels so as to boost export sales. However, recent price pressures within the EC had largely stemmed from internal policy initiatives on production rather than price competition from overseas suppliers.

88. As regards skimmed milk powder/buttermilk powder, production in the fourth quarter of 1989 at 63,800 tons was 12.9 per cent higher on the corresponding period of 1988. Output of skimmed milk powder expanded at a higher rate than buttermilk powder. At 59,800 tons, it was 14.6 per cent higher than in the previous year. Total skimmed milk powder/buttermilk powder production for 1989-1990 was now forecast to reach 135,000 tons as against 126,700 tons in 1988-1989. While production of skimmed milk powder had increased, overall domestic sales had been flat owing to increased

industrial utilization of skim concentrates. As a result, despite strong export sales of 28,600 tons in the fourth quarter, year-end stock levels were at a seasonal high.

89. International skimmed milk powder prices peaked early in the December quarter and had since been in steady decline. Prices fell from around US\$1,800-US\$1,700 per ton in early October to around US\$1,600 in early 1990. The major factor behind this shift was the expansion of EC milk production in November. With internal EC demand for skimmed milk powder largely static, this production increase triggered a collapse in EC wholesale prices down to support levels which had flowed through into world markets. The EC had recommenced stockpiling of skimmed milk powder in early March. However, as it was committed only to the purchase of 100,000 tons of skimmed milk powder in 1990, there was considerable uncertainty over the prices in the longer term. This uncertainty had been increased by recent export offers of skimmed milk powder from Eastern European traders who were selling at prices well below US\$1,600 per ton. Export sales from Poland and Czechoslovakia were expected to increase in the near future. The decline in world prices to levels below the United States internal support prices for skimmed milk powder had brought a halt to commercial exports from the United States.

90. Australian whole milk powder production in the fourth quarter of 1989 was 24,900 tons, showing a slight increase on the corresponding period of 1988. For the year 1989-1990, however, it was expected to fall by 4.5 per cent to 65,000 tons as against 68,000 tons in 1988-1989. Estimated domestic sales for the fourth quarter were low due to delays in recording of stocks removals. However, increased industrial usage was expected to increase domestic consumption for 1989-1990 by 20 per cent to 16,500 tons as against 13,700 tons in 1988-1989. Exports of whole milk powder in the fourth quarter reached 13,300 tons, which was 9 per cent up on the previous year, and the forecast for 1989-1990 was a total of 50,000 tons.

91. The world situation was that prices for whole milk powder had moved in line with skimmed milk powder in the recent months falling from around US\$1,750-US\$1,800 in October to around US\$1,650 in early 1990. The

introduction of a higher export refund for whole milk powder by the EC in February was likely to force its prices below those of skimmed milk powder in the near future. World production of skimmed milk powder was fairly steady overall in 1989. Output was down in both the EC and New Zealand but increased slightly in the United States in response to strong internal demand. However, international demand in recent months had been quiet with most traders fulfilling existing contracts.

92. With regard to the milk fat situation, Australian production of butter/butter oil (estimated on a commercial butter equivalent basis) in the fourth quarter of 1989 at 45,900 tons, was 10.3 per cent higher than production of 41,600 tons in the corresponding quarter of 1988. This reflected increased availability of milk for manufacturing in the first half of 1988-1989 and the generally higher export returns for butter/skimmed milk powder relative to cheese during this period. Butter/butter oil production was expected to rise by around 1.2 per cent overall in 1989-1990 to 102,000 tons, reversing the trends of earlier years. This increase was expected to be taken up partly by increased domestic consumption of butter blends and partly by higher export sales. Overall butter consumption in the fourth quarter was slightly up on 1988 levels. But export sales during this quarter of 18,500 tons were up by 80 per cent from the previous year.

93. The world butter market had fallen heavily in recent months. Prices shifted from US\$1,800-US\$1,900 in September 1989 down to US\$1,650 in December. Initially this decline was triggered by the increase in EC milk quotas which expanded production in the face of declining internal consumption of butter and milk fat in general. The decline had been compounded by recent increases in EC refunds for butter/anhydrous milk fat (to ECU 1,700 per ton and ECU 2,150 per ton respectively) and cuts in internal EC consumption subsidies for butter. These measures further depressed world prices which now stood around US\$1,400 per ton. The EC had renewed stockpiling of butter and purchased more than 80,000 tons between January and March 1990. On the other hand, the United States stockpiles had continued to grow and had now reached 130,000 tons. Ongoing subsidy arrangements in the United States for export disposal of these surpluses

would place continued pressure on world prices throughout 1990. Price deregulation in Eastern Europe had further resulted in a build-up of butter stocks in countries such as Poland and East Germany. Increased export activity from these countries would intensify competition in the world butter market.

94. Commenting on the EC observation that export refunds were not the sole cause of the slide in butter prices or in no way determined the world dairy market prices, the Australian delegate insisted that the recent increases in Community export refunds notably for butter and a relaxation in production quotas had reduced the buffer between world market prices and the agreed minimum export prices. Lower export subsidies would contribute to a healthier market situation. Developments in the United States also had a destabilizing effect on the efficient producers like Australia. Similarly, uncertainties regarding the USSR and other countries in Eastern Europe, where strong price increases might have an adverse impact on butter demand and favour a shift in consumption from butter to margarine were a source of serious concern.

95. In Bulgaria, milk production in 1989 fell by about 6 per cent due to a decline in cow numbers and a slight drop in productivity.

96. The output of cheese in the fourth quarter of 1989 increased by 2,100 tons, as compared to the same period in 1988, to 25,100 tons. As a result, the annual production of cheese in Bulgaria rose slightly to 147,300 tons. However, exports in the last quarter of 1989 dropped by around 35 per cent to 4,900 tons. The main export markets were the USSR, Iran and the Federal Republic of Germany. Due to the decline in export sales in the first and fourth quarters, exports of cheese in 1989 were about 20 per cent less than in 1988. Imports of cheese increased sharply in the fourth quarter of 1989 to 4,100 tons, making 1989 annual imports equal to 4,200 tons, as against no imports in 1988. The exporting countries in the last quarter were Denmark and France.

97. There were no imports of skimmed milk powder in the last quarter of 1989 or in the whole of 1989. Imports of buttermilk powder dropped to 4,700 tons in 1989. In the fourth quarter of 1989, imports of whole milk powder amounted to 300 tons, 100 tons less than in the corresponding period of 1988. The exporting countries were Argentina and Austria.

98. Butter production in the last quarter of 1989 fell to 4,800 tons as compared to the same period in 1988. The annual production of butter in 1989 fell by around 7 per cent to 21,900 tons. This led to increased imports in 1989 amounting to 5,600 tons, showing an increase of around 27 per cent. In the last quarter, imports more than doubled compared to the same period of 1988. These imports were supplied by the Federal Republic of Germany and France. There were no exports of butter in the last quarter.

99. Finally, the delegate of Bulgaria addressed himself to the unfavourable general economic situation in the country which was likely to have an influence on the developments in the dairy sector. It was projected that the gross national product of the country would fall by about 4.4 per cent in 1990, the budget deficit would be around 1.2 billion and the external indebtedness would increase further from the current high level of more than US\$10 billion. Another important factor likely to influence economic developments would be the profound reform of the Bulgarian society aimed at pluralistic democracy and market-oriented economy. The Government had prepared a draft of a stabilization programme and guidelines for a radical economic reform which were to be approved by the National Assembly. Though it was very difficult to predict future developments in the dairy sector, in the short-term perspective, however, it could be said that the situation would not be too favourable.

100. The observer from the Economic Commission for Europe, informed the Committees that milk production during 1989 in the USSR rose by 1.3 per cent, reaching a level of 108.1 million tons. Cow numbers had declined slightly from 41.8 million to 41.7 million at the beginning of 1990, but milk yield per cow had increased by 2.7 per cent.

101. Butter production in the USSR during 1989 increased only marginally by about 0.4 per cent, while cheese output increased by 1 per cent and the output of margarine went up by 0.6 per cent.

102. Butter imports in 1990 were forecast to remain more or less the same as in 1989, i.e. 300,000 tons, but this could change if butter was again offered at very reduced prices to the USSR.

103. In response to a request by some participants, he also provided the relevant statistics on the dairy sector in the German Democratic Republic. On 1 January 1990, the dairy cow number was 2,000,000 as against 2,009,000 in 1989. Milk production was estimated at 4,650 kgs. per cow and the total for 1989 was around 9.6 million tons. Butter production was 306,000 tons, cheese 273,000 tons, whole milk powder 118,000 tons and skimmed milk powder 55,000 tons. Per capita consumption was 15 kgs. of butter, 9.4 kgs. of cheese and 9.7 kgs. of margarine. These high levels of consumption were probably due to prices which were kept at artificially low levels.

104. The observer from the OECD told the Committees that the OECD format of the quarterly issue "The Market for Dairy Products - Situation and Outlook" would be somewhat changed and expanded in an effort to provide more statistical and policy-oriented information concerning the OECD market for dairy products. A copy of the March 1990 issue was later distributed to the participants.

105. He further stated that a number of East European countries had had high level consultations with the OECD secretariat with a view to facilitating closer co-operation and collaboration with West European countries. It was too early to forecast the effects of liberalization of trade on the world dairy market, but these questions were figuring prominently on the list of OECD activities.

106. The OECD had no up-dated dairy forecasts. The 1990 documentation would continue to include mid-term forecasts as in the past, but efforts were being made to further refine these forecasts.

107. The next meeting of the OECD Meat/Dairy Group would be in the first week of November 1990.

Adoption of report to the Council

108. The three Committees agreed that an oral report giving an account of discussions at the present session would be submitted to the Council. This report would be later incorporated in document DPC/34.

Other business

109. The representative of Switzerland informed the Committees that his authorities intended to organize a technical visit for the participants on 19 June 1990.

Dates of the next sessions

110. The next sessions of the Committees shall be held consecutively on 18-19 June 1990, subject to confirmation by the secretariat. The Committees shall meet in a joint session, but separate meetings could be held in the order of milk fat, cheeses and milk powders, if it was deemed necessary.