

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

INTERNATIONAL DAIRY PRODUCTS COUNCIL

REPORT TO THE CONTRACTING PARTIES

1. The International Dairy Arrangement, in force since 1 January 1980, has to date eighteen participants (Argentina, Australia, Austria, Bulgaria, Egypt, European Economic Community, Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland, United States and Uruguay). In accordance with the Rules of Procedure of the Council, several countries and intergovernmental organizations are represented at sessions with observer status.
2. The International Dairy Products Council elected Mr. D. Greenfield (New Zealand) as Chairman for 1984 and Mr. L. Bartha (Hungary) as Vice-Chairman. The chairmanship of the three Committees responsible respectively for the Protocol Regarding Certain Milk Powders, the Protocol Regarding Milk Fat and the Protocol Regarding Certain Cheeses was entrusted to the secretariat (Mrs. F. Hubert).
3. The International Dairy Products Council held two regular sessions in 1984, on 29 March and 28 September, and one special meeting on 24 October. Since the report presented to the CONTRACTING PARTIES in 1983 (L/5546), each of the Committees has held four regular sessions (in December 1983 and in March, June and September 1984). The Committee Regarding Milk Fat held one special meeting on 23 and 24 October.
4. At its two regular sessions, and in accordance with its terms of reference established by the Arrangement, the Council reviewed the functioning of the Arrangement and made an evaluation of the situation in and outlook for the world market for dairy products.
5. When reviewing the functioning of the Arrangement, the Council took note of the reports presented to it by the Committees responsible for administering the Protocols. In accordance with their terms of reference established by the Arrangement, at each of their regular sessions the Committees reviewed the market situation for the products covered by the Protocol which they administer. In addition, at their September session, they examined the level of minimum prices of the products covered by the Protocols. The prices in force since 1 October 1981 have not been modified. Those minimum prices are fixed for pilot products which are defined by the Arrangement, taking into account certain factors, in particular the market situation.

6. At its September session, the Committee of the Protocol Regarding Certain Milk Powders adopted a decision under which the processes and control measures applicable by countries that are not participants in the Arrangement, and which are included in the register in Annex I(c) to the Arrangement, will be considered acceptable for the purposes of the Protocol if the said countries undertake to inform the Committee of any change made in their processes and control measures or in the modalities for their application. That decision, dated 25 September, has been circulated as document DPC/P/30.

7. The Committees continued their survey of government measures to expand domestic consumption of dairy products. The importance of those measures was underlined and it has been agreed that the study of consumption will be continued.

8. The Committees had before them a communication from Australia, regarding an aspect of observance of the Arrangement's minimum price provisions with respect to tenders requiring quotations other than in United States dollars. The Committees recognized that the problem was serious and agreed to keep the matter on the agenda for their next sessions. In the event that, because of unforeseen exchange rate fluctuations, the fixing of an offer price in national currency would result in a selling price lower than the minimum price, the Committee concerned should be informed as soon as possible of all details of the transaction.

9. The Council also took note that the Committees, with a view to simplifying the presentation of the questionnaires concerning products covered by the Protocols, had agreed that the quarterly replies would henceforth be distributed in the form of photocopies and not as documents. The summary tables which are published before the sessions of the Committees will be revised and distributed afresh after the sessions. The Council took note of the replies to Questionnaires 4 and 5.

10. On the basis of a proposal by New Zealand, the Council agreed that, at its session in March 1985, participants would devote some time to the subject of market stability, and engage in an exchange of information and experience on current government policies and measures aimed at maintaining or improving the balance between supply and demand in their domestic dairy markets.

11. For its evaluation of the situation in and outlook for the world market for dairy products, the Council had before it a status report prepared by the secretariat on the basis of documentation furnished by participating governments in response to questionnaires, as well as a note on food-aid operations. The Council gave particular consideration to dairy policies and transactions other than normal commercial transactions. In regard to products covered by the Protocols, the Council noted the concern expressed by the Committees about the market situation, particularly with regard to prices for milk fats and whole milk powder. The level of stocks and the problems raised by their disposal were stressed, and it was pointed out that in spite of the measures taken to control milk production, the situation in the dairy sector was still serious and needed strict surveillance. The successful pursuit of the objectives of the Arrangement is conditioned by respect for all its provisions, and in particular the minimum price provisions.

12. The Committee of the Protocol Regarding Milk Fat held a special meeting on 23 and 24 October in order to examine a communication from the Permanent Delegation of the Commission of the European Communities which had been circulated as DPC/F/W/15. By that communication, the Commission notified its intention to make the necessary arrangements to export certain quantities of butter from Community public stocks at a price which, because of the age of the product, would have to be lower than the minimum price currently in force. At the meeting, the EEC furnished detailed information on those sales and the destinations thereof. The Committee took note that two regulations (Regulations (EEC) No. 2955/84 and No. 2956/84, dated 18 October 1984) had been published in the Official Journal of the Communities on 23 October. Those regulations regarding special sales of butter are to enter into force on 5 November. The Committee found that some of the sales envisaged under those regulations were not consistent with the provisions of Article 3 of the Protocol. The Committee considered what action would be necessary to meet the situation. It had before it a request for a derogation made by the EEC under Article 7 of the Protocol. Some members of the Committee having refused the possibility of considering the derogation request so long as the EEC regulations remained in force, the Committee found itself in the situation described in Article IV:6 of the Arrangement where a satisfactory solution could not be reached. Accordingly, the International Dairy Products Council was requested to meet. At this special meeting, the Council took note of the report of the Committee and of the concerns expressed as regards the sales envisaged and their implications. Consultations are to take place before the convening of another special meeting.

13. The report on the world market for dairy products, revised by the secretariat to take account of data and amendments communicated by participants as well as comments made by them at the session of 28 September has been given general distribution.

14. The dates of the next regular session of the Council, and of the 1985 sessions will be determined later in consultation with the participants.

15. As agreed by the Council, the above report has been prepared and is presented by the Chairman of the Council on his own responsibility.