

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Special Distribution

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

Twentieth Session

Report

Introduction

1. The Committee of the Protocol Regarding Milk Fat held its twentieth session on 17 December 1984.

Adoption of the Agenda

2. The Committee adopted the following agenda:
 1. Adoption of report on the nineteenth session
 2. Information required by the Committee:
 - (a) Replies to Questionnaire 2
 - (b) Summary tables
 - (c) Other information
 3. Review of the market situation for products covered by the Protocol.
 4. Observance of minimum prices with respect to tenders requiring quotations other than in US dollars.
 5. Adoption of report to the Council
 6. Other business.

Adoption of report on the nineteenth session

3. The Committee adopted the report on its nineteenth session. The report will be distributed as document DPC/F/30.

Information required by the Committee

(a) Replies to Questionnaire 2

4. The Committee reviewed the replies to Questionnaire 2 and requested members which had not yet communicated information for the third quarter of

1984 to do so without delay. In addition, it was pointed out that replies to Questionnaire 2 relating to the fourth quarter of 1984 should reach the secretariat not later than 15 March 1985.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/F/W/1/Rev.20) prepared in conformity with Rule 28 of the Rules of Procedure and reproducing the information furnished in Tables A and B of Questionnaire 2 regarding anhydrous milk fat and butter. The Committee took note of document DPC/F/W/1/Rev.20.

(c) Other information

6. Members of the Committee were reminded that in accordance with the Resolution adopted by the Council on 16 November 1984 (DPC/13), the provisions of Article 4 of the Protocol should be implemented.

Review of the market situation for products covered by the Protocol

7. The representative of the United States estimated that production of butter in 1984 could decrease to 520,000 tons. It was anticipated that production might continue to decrease in 1985 to the level of 510,000 tons. It was estimated that exports in 1984 would amount to 55,000 tons and would remain unchanged in 1985 as compared to 1984. Domestic consumption was expected to reach 512,000 tons in 1984 and to increase to some 520,000 tons in 1985. It was expected that stocks at the end of 1984 would be at 181,000 tons. It was anticipated that stocks would decline in 1985 and would be at 122,000 tons at the end of that year.

8. The representative of the EEC said that according to certain reports the United States had concluded with Egypt a contract covering the sale of 15,000 tons of butter and 15,000 tons of butter oil at the price of US\$1,275 per ton f.a.s. and US\$1,525 per ton f.a.s. respectively. The sale conditions were not accompanied by credit terms but payment would be made in Egyptian pounds. Delivery would be between April 1985 and February 1986 for butter, and March 1985 to April 1986 for butter oil. He asked whether the United States representative could confirm those reports.

9. The representative of the United States said that his delegation could assume that the information given by the representative of the EEC was correct.

10. The representative of Switzerland estimated that butter imports could total some 3,600 tons in the fourth quarter of 1984. At the end of November 1984, butter stocks had been at the level of 4,538 tons.

11. The representative of Sweden said that in the three first quarters of 1984, output and consumption of butter had increased while exports had dropped back in relation to the corresponding period of 1983.

12. The representative of Norway said that butter production had declined by 8 per cent in the nine first months of 1984. Because of increased milk deliveries to dairies expected toward the end of 1984, Norway was considering exporting some quantities of butter in 1985.
13. The representative of Finland indicated that butter output could decline in 1984. Stocks were currently at a level around 12,000 tons. Exports were expected to reach 20,000 tons in 1984 and 18,000 tons in 1985.
14. The representative of South Africa said that output and consumption of butter could decrease in 1984. End-year stocks were expected to total 4,780 tons.
15. The representative of the EEC indicated that butter production in 1984 could be 8.2 per cent below the 1983 level. At 13 December 1984, public stocks of butter had totalled 895,048 tons; on the same date private stocks of butter had amounted to 135,858 tons. Cut-price sales of butter to bakeries and ice-cream manufacturers had amounted to 153,000 tons and 34,600 tons respectively in 1984. In addition, "Christmas butter" sales would allow the disposal of some 200,000 tons of butter at prices 50 per cent below the intervention price. The EEC had sold to the USSR some 222,000 tons of butter; half of that amount had been sold under Regulation (EEC) 2268/84, at prices between US\$1,250 and US\$1,300 per ton f.o.b., and the other half under Regulation (EEC) 2956/84 at prices between US\$450 and US\$500 per ton f.o.b. Some 25,000 tons were to be delivered before 31 December 1984 and the rest before 30 June 1985. In the event that deliveries were to be made after 1 April 1985, the butter would be processed into butter oil. Title II of Regulation (EEC) 2956/84, allowing sales at exceptionally low prices, had been revoked, effective 8 December 1984. Taking into account market prices which were currently ECU 10 below the intervention price, together with the refund currently applicable, export prices of market-quality butter should theoretically be between US\$1,380 and US\$1,400 per ton f.o.b. Nevertheless, the EEC was currently exporting butter and butter oil under Regulation (EEC) 2268/84, and ghee under Regulation (EEC) 2278/84; the butter was sold at a price equivalent to the intervention price (ECU 319.70 per 100 kg.) less ECU 34.5 per 100 kg. Taking into account various costs, operators' margins and the current exchange rate of the United States dollar, Community operators could export butter at prices between US\$1,220 and US\$1,250 per ton f.o.b. Butter oil processed from that butter could be exported at prices between US\$1,450 and US\$1,480 per ton f.o.b. Butter intended for export in the form of ghee was sold at a price equal to the intervention price less ECU 40 per 100 kg. Taking various costs into account, net export prices should be between US\$1,450 and US\$1,480 per ton f.o.b. Accordingly, the EEC was currently selling butter and butter oil under the regulations in force at prices slightly above the minimum prices set by the Arrangement.
16. The representative of Australia said that butter production in the July-September period had been 5.9 per cent below the corresponding period in the 1983/84 season, although more recent trends suggested that annual

production decline might not be quite this large. International market pressures for other products remained such that changes in the total milk production were primarily reflected by changes in the production of butter and skimmed milk powder. Accordingly, the decrease of 2.2 per cent in milk production in the September quarter compared to the corresponding period of the previous year had contributed to the decrease in butter production. In 1984/85 estimated butter production at 111,000 tonnes was marginally down on last year's production of 111,280 tons. Domestic sales of butter/butter oil were expected to decline in 1984/85 from 60,389 tonnes to around 59,000 tonnes. The decline was attributable to a reduction in industrial butter sales which would likely result from a substitution by end users of milk concentrate for butter. Retail table butter sales were expected to increase by around 2 per cent in response to stable prices and increased promotional activity. Export availability was expected to be 74,200 tons given objective closing stocks of 10,000 tons. Poor international market prospects in addition to recent EEC butter disposal arrangements would ensure that the international market prices for butter remain depressed in the 1984/85 season. Her authorities had advised her delegation that since the sale effected by the EEC to the USSR the market had been completely dead.

17. The representative of Japan said that the production of butter had decreased by 13.7 per cent during the period June to August 1984 but had recovered after September. From April to October 1984, production had remained almost unchanged as compared to the corresponding period of 1983. In the fiscal year 1984, the market prices were weak due to stagnating demand. In the period April to October 1984 butter imports had increased as compared to the corresponding period of 1983.

18. The representative of New Zealand estimated that butter production would decline in 1984/85 to some 220,000 tons as compared to the 1983/84 production of 250,000 tons. Stocks of butter had increased to 62,000 tons at the end of September 1984 as compared to 29,000 tons a year earlier. The stock position was bad as a result of the huge increase of production in 1983/84. With regard to international prices for butter and anhydrous milk fat, he pointed out that the programmes launched by the EEC in July and October 1984 had undermined price levels in all the markets.

19. The observer of Canada estimated that production of butter might show some increase (by 3,000 tons) in the 1984/85 dairy year. It was expected that consumption would fall in 1984/85 mainly due to the fact that the price differential between margarine and butter might worsen. Consequently, by the end of the present dairy year, stock levels of butter might be higher than the normal levels.

Observance of minimum prices with respect to tenders requiring quotations other than in US dollars

20. Regarding the question of observance of minimum prices with respect to tenders requiring quotations other than in US dollars, the Committee noted that no case of that kind had been reported.

Adoption of report to the Council

21. In pursuance of Article VII:2(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committee adopted its report to the Council. That report, on the Committee's work at its twentieth session, will be distributed as document DPC/F/31. The Committee noted that the Council was to hold a special meeting on 18 December 1984 in order to review the situation. It agreed that a brief oral report on discussions at the current session would be made to the Council at that special session.

Other business

Dates of next sessions

22. At the eleventh session of the Council, it had been proposed that, as for the 1984 sessions, a preliminary time-table should be established for 1985 and provisional dates approved at the December 1984 sessions of the Committees. The following dates were agreed on for 1985:

- 25 to 27 March 1985
- the Council meeting on 28 and (if necessary) 29 March 1985
- 17 to 19 June 1985
- 23 to 25 September 1985
- the Council meeting on 26 and (if necessary) 27 September 1985
- 16 to 18 December 1985.

It was agreed that, if their work permitted, the Committees could hold their sessions in two days instead of three. On the occasion of the March sessions, for which the dates of 25 to 27 March 1985 have been approved, the session of the Committee of the Protocol Regarding Milk Fat will be followed by the session of the Committee of the Protocol Regarding Certain Milk Powders and then the session of the Committee of the Protocol Regarding Certain Cheeses.