

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5791

4 April 1985

Limited Distribution

INTERNATIONAL DAIRY PRODUCTS COUNCIL

TWELFTH SESSION

Note by the Chairman

1. The International Dairy Products Council held its twelfth session on 27 and 28 March 1985.
2. Mr. J. Viganó (Argentina) was elected Chairman for 1985/86 and Mr. G.A. Stünzi (Switzerland), Vice-Chairman of the Council.
3. Under Rules 11 and 14 of the Rules of Procedure, the Council invited representatives of Mexico and Panama, and representatives of the Economic Commission for Europe, FAO, OECD and UNCTAD to attend the session as observers.
4. The Council reviewed the functioning of the Arrangement. It took note of reports on the implementation of the Protocol Regarding Milk Fat, the Protocol Regarding Certain Milk Powders and the Protocol Regarding Certain Cheeses, and of the concern expressed with regard to the situation in the market for those products.
5. It was noted that prices for dairy products continued to be influenced, in particular, by the level of stocks and currency fluctuations. The market situation and, in particular, the trend of prices for butter, anhydrous milk fat and whole milk powder were causing much concern. World import demand was unlikely to increase significantly and it seemed evident that in spite of the measures taken, available supplies would again be greater than real demand in 1985. It was pointed out by some participants that exports by non-participants and the withdrawal recently of one country from the Arrangement was causing uncertainty on the international market for dairy products. It was recalled, however, that when that country had given notice of withdrawal, it had promised not to disrupt international trade and the prices of dairy products by pursuing its commercial interests.
6. The Committees had held a joint meeting on 26, 27 and 28 March 1985 to examine the minimum prices for the products covered by each of the Protocols, on the basis of the criteria fixed by the Arrangement. Several positive elements emerged during this examination. Some participants were prepared to accept a modification of the level of some of the minimum prices in the Arrangement. In the opinion of some participants, a reduction of the minimum prices would not necessarily result in an increase of total sales on the international market. Some delegations considered that an automatic adjustment of minimum prices

according to the exchange rate fluctuations of the United States dollar might be considered; such an adjustment could be made without prejudice to the criteria set out in Article 3, paragraph 3(b) of each of the Protocols. As to the question of disposal of stocks of old butter (over eighteen months of age) the possibility of derogating from the provisions of Article 3, paragraphs 1 to 4, of the Protocol Regarding Milk Fat for sales of old butter and the conditions which could be attached to such a derogation had been discussed.

7. Some proposals had been advanced with regard to a modification of some of the minimum prices in the Arrangement and further adjustments in those, and some suggestions made concerning export sales of old butter were also discussed. Delegations wished, however, to have the time to convey these proposals and suggestions to their respective authorities and seek further instructions thereon. The Committees had therefore agreed to hold a further joint special meeting on 17 and 18 April 1985 with the aim of finding a solution. The Council was unable to reach a decision on the proposal by New Zealand to rescind the Resolution of 16 November 1984, as some members felt that further progress had to be made in the Committees' discussion on modifying price levels, before they could agree to the abrogation of the Resolution.

8. The Council also took note of various information supplied in reply to questionnaires 4 and 5, concerning products not subject to the provisions of the Protocols and concerning domestic policies and trade measures.

9. For its evaluation of the situation in, and outlook for, the world market for dairy products, the Council had before it two documents prepared by the secretariat, namely a status report on the world market for dairy products (DPC/W/43) and a note on food aid operations (DPC/W/44). The Council took note of the documents and the comments made.

10. Recognizing the difficult situation persisting on the market for dairy products, in particular as regards whole milk powder and butter, it was felt that closer co-operation was more than ever necessary for solution of the present problems relating to production, trade, stocks and prices of the products concerned.

11. In accordance with an action taken by the CONTRACTING PARTIES on 30 November 1984 (L/5756), the Council agreed to hold a special meeting on 14 May 1985 (date subject to confirmation) in order to examine the adequacy and effectiveness of the International Dairy Arrangement, and the obstacles to acceptance which contracting parties may have faced, providing an opportunity to non-signatory contracting parties to express their views in the discussion. Participation in the meeting shall be open to all contracting parties.