

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5872

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Limited Distribution

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## INTERNATIONAL DAIRY PRODUCTS COUNCIL

### THIRTEENTH SESSION

#### Note by the Chairman

1. The International Dairy Products Council held its thirteenth session on 26 September 1985.
2. 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.
3. The Council reviewed the functioning of the Arrangement. It took note of reports on the implementation of the Protocol Regarding Certain Milk Powders, the Protocol Regarding Certain Cheeses and the Protocol Regarding Milk Fat, and also noted the concern expressed with regard to the situation in the market for the products concerned.
4. It was noted that prices, as expressed in US dollars, for dairy products had continued to be depressed during the early part of 1985, mainly as a result of heavy stocks and currency fluctuations. Butter and whole milk powder had occasionally been sold at prices below the minimum export prices stipulated in accordance with the provisions of the International Dairy Arrangement. On 31 May 1985, the Committee of the Protocol Regarding Certain Milk Powders had decided to lower the minimum export price for whole milk powder from US\$950 to US\$830 per ton. Simultaneously, the Committee of the Protocol Regarding Milk Fat had decided to lower the minimum prices for anhydrous milk fat from US\$1,440 to US\$1,200 per ton and for butter from US\$1,200 to US\$1,000 per ton. The new minimum export prices became effective as of 5 June 1985. It had also been agreed to authorize, under certain conditions, participants holding exceptionally large stocks of old butter to sell such butter at prices lower than the agreed minimum export prices. With regard to adjustment of minimum prices following fluctuations in the exchange rate of the US dollar, consideration of that question had been commenced by the Committees, but no conclusions had been reached since the problems caused by exchange rate fluctuations in general were currently being discussed in other fora. It was felt that a system for automatically adjusting minimum prices in accordance with fluctuations in the exchange rate of the United States dollar would be difficult to apply.

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5. The 1985 September review of the market situation, for dairy products undertaken by the Committees of the Protocols and the Council revealed a certain amount of optimism and it was expected that in the case of some dairy products, such as milk powders and cheese, the situation would improve slightly in 1985 and 1986. However, in the case of butter, heavy surplus stocks continued to have a depressive effect on the market and the situation remained one of concern.

6. 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. The Council took note of a proposal by Australia suggesting that participants should report more fully on their measures applied to implement obligations incurred under the Arrangement, notably those related to the minimum price provisions. It also took note of comments made relating to that proposal. It was agreed to retain the question on the agenda of the Council and participants were invited to submit concrete proposals in writing on the matter well in time before the next meeting of the Council.

7. For its traditional 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/47) and a note on food-aid operations (DPC/W/48). The Council took note of the documents and the comments made. It was agreed that the status report, as completed in light of more recent information and taking account of comments made, should be given general circulation.

8. The Council expressed its concern with the serious situation in the butter market and stressed that close co-operation was absolutely necessary for solution of the current problems relating to production, trade, stocks and prices of butter and milk fat. The Committee of the Protocol Regarding Milk Fat was invited to consider at its next session possible steps to be taken to resolve the problems facing butter trade.

9. The Council authorized the Chairman to submit to the CONTRACTING PARTIES a report on the work done since November 1984 in pursuance of the objectives of the International Dairy Arrangement. It was understood that the Chairman would do so on his own responsibility.

10. The Council adopted a tentative time schedule for regular meetings up to the end of 1986. 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.