

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/6051

1 October 1986

Limited Distribution

INTERNATIONAL DAIRY PRODUCTS COUNCIL

FIFTEENTH SESSION

Note by the Chairman

1. The International Dairy Products Council held its fifteenth session on 30 September and 1 October 1986.
2. Under Rules 11 and 14 of the Rules of Procedure, the Council invited representatives of Panama and the Economic Commission for Europe, FAO, IMF, 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 Milk Fat, the Protocol Regarding Certain Cheeses and the Protocol Regarding Certain Milk Powders and also noted the concerns expressed with regard to the situation in the market for the products covered by the Protocols.
4. While the market for some dairy products had shown appreciable improvement throughout the second half of 1985 and the first half of 1986, the market for butter and anhydrous milk fat continued to be adversely influenced by the presence of abundant supplies and burdensome stocks. During the first three quarters of 1986, butter prices had been at, or just slightly above, the agreed minimum export price of US\$1,000 per ton f.o.b. and the situation continued to be one of serious concern.
5. The Council expressed its concern at 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. It noted that the Committee of the Protocol Regarding Milk Fat had considered possible steps to be taken to resolve the problems facing butter trade, in accordance with the request of the Council and that informal discussions were being held among major participants with the aim of developing mutually acceptable solutions to the problems in the butter market.
6. Prices for Cheddar cheese which were under some pressure from heavy supplies in the middle of the year had recovered somewhat during the third quarter. Prices for milk powders strengthened and remained well above the minimum price. During the annual review of the minimum export prices, it was decided to raise the minimum prices for cheese and powders effective 2 October 1986. The new minimum export prices were, for certain cheeses US\$1,030 per ton f.o.b., for whole milk powder US\$880 per ton f.o.b. and for skimmed milk powder and butter milk powder US\$680 per ton f.o.b.

7. The Council noted that total world milk production had continued to expand, in spite of various measures implemented to limit milk deliveries in many countries. Milk supplies would again be excessive in 1986, and surplus stocks of some dairy products would continue to increase and continue to have a depressive effect on the market, notably in the case of milk fat.

8. 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 was due for a complete updating and revision, and participants who had not yet done so were urged to take the necessary steps as a matter of urgency to ensure that the relevant information would be submitted to the secretariat.

9. 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/62 and Addendum 1), a note on food-aid operations (DPC/W/65) and relevant statistical information. The Council took note of the documents and the comments made, and agreed that the status report as completed, up-dated and amended should be released for general distribution as the seventh annual report of the International Dairy Arrangement.

10. Hope and confidence was expressed in the Council that the launching of the Uruguay Round would halt and reverse protectionism in the dairy sector, favour developments of positive attitudes for the liberalization of dairy trade and provide scope for improving the International Dairy Arrangement and for a wider participation in it.

11. The Council authorized the Chairman to submit to the CONTRACTING PARTIES a report on the work done since November 1985 in pursuance of the objectives of the International Dairy Arrangement. It was understood that the Chairman would do so on his own responsibility.

12. The Council adopted a tentative time schedule for regular meetings up to the end of 1987. 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.