

# GENERAL AGREEMENT ON

RESTRICTED

# TARIFFS AND TRADE

L/6232

29 October 1987

Limited Distribution

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## INTERNATIONAL DAIRY PRODUCTS COUNCIL

### Report to the CONTRACTING PARTIES

The present report by the Chairman of the International Dairy Products Council is submitted in accordance with the Decision of 28 November 1979 (BISD 26S/201, paragraph 4), and in conformity with an agreement reached in the International Dairy Products Council at its September meeting 1987 (L/6215, paragraph 11). The report provides a resumé of the activities of the Council and its Committees since the Forty-Second Session of the CONTRACTING PARTIES.

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1. The International Dairy Arrangement came into operation on 1 January 1980 and has been extended until 31 December 1988, in conformity with Article VIII, paragraph 4. As of 2 November 1987, the Arrangement had the following participants: Argentina, Australia, Bulgaria, Egypt, the European Economic Community, Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland and Uruguay. Other countries and international organizations have been represented at meetings by observers.

2. The International Dairy Products Council elected Mr. T. Groser (New Zealand) as Chairman for 1987 and Mr. P. Huhtaniemi (Finland) as Vice-Chairman. Mr. Huhtaniemi was also elected as Chairman of the Committees of the Protocols.

3. The Council held two regular sessions in 1987, one in March and one in September. The Council evaluated the situation in, and outlook for, the world market for dairy products, basing itself on documentation prepared by the secretariat, information furnished by participants and information arising from the operation of the Protocols. It furthermore reviewed the functioning of the Arrangement.

4. The market for most dairy products had shown appreciable improvement in 1987, following a decline in world milk production. Although the decline was very modest, it at least indicated that the upward trend which had persisted for years was halted or even reversed. The efforts made in many countries to contain milk production were beginning to show results and world milk production could hopefully be kept within reasonable limits in the near future. However, ample availability of feed at low prices and the application of new technology might make medium-term forecasts uncertain.

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5. The international market for butter and anhydrous milk fat remained fragile in 1987, and significant quantities were disposed of through sales under derogation from the price provisions of the Arrangement at extremely low prices. Renewed efforts by some countries to dispose of dairy surpluses made early in 1987 had created uncertainties in the world dairy market throughout the year. A reduction in production and in surplus stocks nevertheless gave rise to a hope for better balance between commercial import demand and export availabilities in 1987/88.

6. Import demand for cheese and milk powders which had been relatively low in 1986, recovered appreciably in 1987. At the same time, quantities available for export, notably of powder, were reduced and prices firmed up. Prices for cheese and milk powders remained well above the respective minimum prices. Effective 25 June 1987, minimum export prices were for skimmed milk powder and buttermilk powder raised from US\$680 to US\$765 and for whole milk powder from US\$880 to US\$900. During the regular annual price review, minimum export prices for certain cheeses and powders were again raised, effective 23 September 1987. The new minimum export prices were, for certain cheeses US\$1,120 per ton f.o.b., for whole milk powder US\$950 per ton f.o.b. and for skimmed milk powder and buttermilk powder US\$825 per ton f.o.b.

7. Hope and confidence were expressed in the Council that progress made in 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. At its September meeting, the Council noted that the Committees would at their next meetings devote some time to the discussion of their working methods, and consider suggestions for improving the exchange of information and preparation of documentation. It was in this context suggested that in the related informal discussions, the working methods of the Council would also be considered.

8. The Council agreed at its seventeenth session held in September 1987, that its evaluation of the situation in, and outlook for, the world market for dairy products based on documentation prepared by the secretariat, should be released for general distribution in the eighth annual report under the International Dairy Arrangement.