

# GENERAL AGREEMENT ON

RESTRICTED

L/6320

24 March 1988

# TARIFFS AND TRADE

Limited Distribution

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## INTERNATIONAL DAIRY PRODUCTS COUNCIL

### EIGHTEENTH SESSION

#### Note by the Chairman

1. The International Dairy Products Council held its eighteenth session on 23 March 1988.
2. Mr. T. Groser (New Zealand) was re-elected Chairman for 1988/89 and Mr. P. Huhtaniemi (Finland) was re-elected Vice-Chairman of the Council.
3. 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.
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 Cheeses and the Protocol Regarding Certain Milk Powders.
5. 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. Participants that had not submitted all the information requested were urged to do so as soon as possible.
6. For its traditional evaluation of the situation in, and outlook for the world market for dairy products, the Council, in addition to the reports from the Committees of the Protocols, also had before it documents prepared by the secretariat, notably a status report on the world market for dairy products, a note on food-aid operations and relevant statistical information. The Council took note of the documents and comments made.
7. World milk production declined by almost 1 per cent from 1986 to 1987. Efforts made in many countries to contain milk production were yielding results as hoped for and in addition unfavourable climatic conditions had adverse effects on milk production in several regions. The decline in world milk supplies was mainly due to a 5 per cent decline in Community milk deliveries in 1987, but there were also significant reductions in milk deliveries in New Zealand, India and the United States. World milk

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production was expected to increase again in 1988. Milk deliveries were expected to be further reduced in the European Communities and to remain more or less unchanged in most other countries. However, United States milk production was expected to increase and might, together with expected recoveries in New Zealand and India and further increases in the USSR and some developing countries, more than outweigh a decline in Community milk deliveries.

8. The immediate result of reduced milk deliveries in 1987 was a spectacular reduction in intervention stocks of butter and skimmed milk powder, notably in the European Communities and the United States. Increased exports also helped in reducing surplus stocks.

9. There was an appreciable recovery in international trade in cheese and milk powders in 1987, and prices firmed up throughout the year. Whole milk powder was to an increasing extent replacing condensed milk, and international trade in the latter fell again in 1987. Exports of cheese and whole milk powder were expected to grow further in 1988, while exports of butter and skimmed milk powder were expected to fall in light of reduced production and stocks. Throughout 1987, market prices for butter and anhydrous milk fat remained at or closely above the minimum export price. Early in 1988, the situation had improved and sales of fresh butter were reported to have been made at prices well above the minimum. Reduced supplies and carry-over stocks were expected to result in an improvement in prices in 1988, notably for fresh butter.

10. In light of the improved market situation, the Protocol Committees had decided to raise the minimum export prices for all products covered by the Protocols. New minimum export prices, effective 23 March 1988 are as follows, per ton f.o.b.: anhydrous milk fat US\$1,325, butter US\$1,100, certain cheeses US\$1,200, whole milk powder US\$1,000, skimmed milk powder and buttermilk powder US\$900.

11. Following suggestions made at the September 1987 meetings of the Council and the Committees, discussions had been held on improvement of working methods. Certain suggestions had already been implemented and satisfaction was expressed with the changes made. Other suggestions, however, seemed to warrant further reflection and it was agreed that the discussions might be pursued at some later stage.

12. The Council noted that most participants in the Arrangement had implemented the new Commodity Description and Coding System (Harmonized System) established by the Customs Co-operation Council and that other participants were expected to implement that system shortly. Some delegations wanted to have more time for the consideration of technical and legal aspects, and the matter will be reverted to at a later session of the Council.