

GENERAL AGREEMENT ON

RESTRICTED

TARIFFS AND TRADE

L/6396

22 September 1988

Limited Distribution

INTERNATIONAL DAIRY PRODUCTS COUNCIL

NINETEENTH SESSION

Note by the Chairman

1. The International Dairy Products Council held its nineteenth session on 20 September 1988.
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 Certain Cheeses, the Protocol Regarding Certain Milk Powders and the Protocol Regarding Milk Fat.
4. 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.
5. World milk production declined by almost 1 per cent from 1986 to 1987, and the upward trend which had lasted for twenty years was temporarily halted. In 1988, world milk production returned to its level of 1986. A further decline in milk deliveries in the Community and other European countries was more than outweighed by a recovery in New Zealand milk production and that of the United States and Canada and a further substantial increase in the USSR.
6. 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. In autumn 1988, there were hardly any surplus stocks of dairy products.
7. 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. International trade in cheese and whole milk powder grew further in 1988, with prices continuing to firm up. There was also some recovery in butter trade, but this was largely due to special sales of old butter or butter oil made from

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old butter at extremely low prices and by derogation from the price provisions of the Arrangement. Prices for fresh butter were firming and were expected to continue to do so in expectation of an improved balance between supply and demand in 1988/89. Reduced butter production in several areas entailed a significant reduction in supplies of skimmed milk powder. International trade in skimmed milk powder was, however, less affected as exports were to some extent maintained by drawing down on stocks and reducing the use for feed. Some developing importing countries nevertheless experienced difficulties in covering their import requirements of skimmed milk powder in 1988. In late summer 1988, the market outlook indicated that dairy prices in the world market, notably for cheese and powder, would remain high or even increase further in 1988/89.

8. During the annual review of the minimum export prices, the Protocol Committees had decided to raise the minimum export prices for all products covered by the Protocols. New minimum export prices, effective 21 September 1988 are as follows, per ton f.o.b.: anhydrous milk fat US\$1,500, butter US\$1,250, certain cheeses US\$1,350, whole milk powder US\$1,150, skimmed milk powder and buttermilk powder US\$1,050.

9. 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, and agreed that the status report as completed, updated and amended should be released for general distribution as the ninth annual report of the International Dairy Arrangement. It also noted the view expressed that the Arrangement had worked very well and had been a most valuable instrument in restoring the order in the international dairy market.

10. The Council noted that most participants had already implemented the Harmonized System and that others would do so shortly. It was accordingly agreed to bring the language of the relevant Articles of the Arrangement and the Protocols into conformity with the new commodity description and coding system. The Council agreed that for participants not yet having implemented the Harmonized System, the old version of the Articles concerned would remain valid until such participant would have implemented the new commodity description and coding system. The decision will be circulated in document DPC/30.

11. The Council authorized the Chairman to submit to the CONTRACTING PARTIES a report on the work done since November 1987 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 1989. 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. Attention of delegations was drawn to the very heavy schedule of GATT meetings throughout the remainder of 1988 and 1989 and to the fact that it might be necessary to make changes on short notice.