

GENERAL AGREEMENT ON

RESTRICTED

L/6406

17 October 1988

TARIFFS AND TRADE

Limited Distribution

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 1988 (L/6396, paragraph 11). The report provides a resumé of the activities of the Council and its Committees since the Forty-Third Session of the CONTRACTING PARTIES.

1. The International Dairy Arrangement came into operation on 1 January 1980 and has been extended until 31 December 1991, in conformity with Article VIII, paragraph 4. As of 17 October 1988, 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 1988 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 1988, 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. The view prevailed that the Arrangement had worked very well and had been a most valuable instrument in restoring the order in the international dairy market.
4. 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 (DPC/30).

5. Following suggestions made in September 1987, consideration was undertaken with a view of improving working methods of the Council and the Committee. As a result, the duration of meetings and the amount of documentation to be processed and distributed have been significantly reduced, and the statistical material has been improved. It has been agreed that discussions on further improvements to be made might be pursued at some later stage.

6. 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. 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 whole milk powder in 1987 and 1988, and prices firmed up. There was also some recovery in butter trade, largely due to special sales of old butter or butter oil, 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. Late in 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. In light of the improved market situation, the Protocol Committees decided to raise the minimum export prices for all products covered by the Protocols first in March and again in September 1988. 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. At its nineteenth session held in September 1988, the Council agreed 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 as the ninth annual report of the International Dairy Arrangement.