

# GENERAL AGREEMENT ON

RESTRICTED

L/6479

13 March 1989

# TARIFFS AND TRADE

Limited Distribution

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## INTERNATIONAL DAIRY PRODUCTS COUNCIL

### TWENTIETH SESSION

#### Note by the Chairman

1. The International Dairy Products Council held its twentieth session on 10 March 1989.
2. Mr. K. Lillerud (Norway) was elected Chairman for 1989/90 and Mrs. J. Tyndall (New Zealand) was elected Vice-Chairperson of the Council. Mrs. Tyndall was also elected Chairperson of the Protocol Committees.
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 and of comments made on this documentation. 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, which had declined by 0.8 per cent from 1986 to 1987, recovered in 1988 reaching almost its level of 1986. A further decline in milk deliveries in the Community and other European countries was more than outweighed by an increase in New Zealand milk production and that of the United States and Canada, and by further expansion in the USSR.

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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. At the end of 1988, the surplus stocks of dairy products which had depressed the market for years, had been entirely disposed of.
9. There was an appreciable recovery in international trade in cheese and milk powders in 1987, and the trade, notably of cheese and whole milk powder, grew further in 1988, with prices continuing to firm up. In 1988, whole milk powder became the most important dairy product in international trade, in volume terms.
10. A recovery in butter trade in 1987 and 1988 was largely due to special sales of old butter or butter oil. Prices for fresh butter were firming and continued to do so in 1988/89. However, international trade in butter was expected to decline in 1989.
11. Reduced butter production entailed a significant reduction in supplies of skimmed milk powder but exports were partly maintained by lowering stocks and reducing the use for feed. Some developing countries nevertheless experienced difficulties in covering their import requirements of skimmed milk powder in 1988 and apparently sought to cover some of their needs through greater imports of whole milk powder. The world market prices for skimmed milk powder nearly doubled over the year 1988, and were at the end of the year more than three times their level in 1985.
12. Cheese production continued its upward trend in 1987 and 1988, absorbing nearly one quarter of world milk supplies. Developments were favoured by a persisting good demand for cheese. Increased cheese production entailed substantial supplies of whey and the efforts made to develop the market resulted in a good demand for whey as an ingredient in beverages and other foodstuffs.
13. Food aid in terms of dairy products was adversely affected by the decline in available supplies and higher market prices for dairy products and remained low in 1988.
14. Prices for most dairy products, although slightly inferior to their levels late in 1988, remained at a relatively high level in early 1989. For products covered by the Protocols of the Arrangement, they remained well above the agreed minimum export prices. A persisting tight supply situation for casein entailed a doubling of the world market price during 1988. The major factors leading to the higher prices in the dairy market were reduced supply pressures, the decline in the value of the US dollar, the general rise in commodity prices and increased demand mainly by many developing countries. The improved market situation entailed some reduction in export subsidies. Dairy products were in general selling well in all the major markets at the beginning of 1989.
15. During the deliberation of the Council, the view was expressed that the Arrangement had functioned well and contributed significantly to the satisfactory situation at present. However, it would be necessary to watch further developments carefully and remain vigilant if the situation should again deteriorate.