

GENERAL AGREEMENT ON

RESTRICTED

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22 September 1989

TARIFFS AND TRADE

Limited Distribution

INTERNATIONAL DAIRY PRODUCTS COUNCIL

TWENTY-FIRST SESSION

Note by the Chairman

1. The International Dairy Products Council held its twenty-first session on 20 September 1989.
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, and in particular noted that the Committees of the Protocols had raised the minimum export prices for all products covered by the Protocols. New minimum export prices, effective 20 September 1989 are as follows, per ton f.o.b.: anhydrous milk fat US\$1,625, butter US\$1,350, certain cheeses US\$1,500, whole milk powder US\$1,250, skimmed milk powder and buttermilk powder US\$1,200. The Council concluded that the International Dairy Arrangement was functioning to the satisfaction of its participants, that it was working very well and had proved to be a valuable instrument in restoring and maintaining the order in the international dairy market.
4. The Council took note of the information submitted recently in reply to Questionnaires 4 and 5, concerning production, consumption, trade and prices for products not covered by the Protocols and concerning dairy policies and measures affecting trade.
5. Basing itself on the reports from the Committees of the Protocols, documentation prepared by the secretariat and on information provided by participants during the meeting, the Council undertook an evaluation of the situation in, and outlook for, the world market for dairy products.
6. The market for milk and dairy products remained a balanced one in 1988 and throughout 1989, with the increased supplies of milk being well absorbed. Intervention stocks of butter and skimmed milk powder were almost non-existent, and were not expected to grow significantly in 1989/90, as the production of butter and skimmed milk powder seemed to have stabilized in 1989. The upward trend in both production and international trade of cheese and whole milk powder continued in 1989.

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7. Prices in international markets rose strongly throughout 1988, but stabilized in 1989. In 1989, most dairy products were traded at prices near to US\$2,000 per ton or above, roughly double their levels of two-years' earlier. For cheese and powders, prices reached historical records, while those for butter and anhydrous milk fat were still inferior to their levels early in the decade.

8. Some participants expressed the concern that the current market situation might entail an expansion in the milk production notably in countries not participating in the Arrangement. The production potential in the medium term could be much greater than had been indicated in projections and forecasts so far, not least in light of ample feed supplies and technological progress. The danger persisted that supplies might again increase faster than a steady but limited growth of import demand and consumption, and it was imperative that production should not be unnecessarily stimulated through support and protection. The view prevailed that agreements arrived at lately, stating that agricultural policies should be more responsive to international market signals in order to meet the objective of liberalization of trade and that support and protection should be progressively reduced and provided in a less trade-distorting manner, should be rapidly implemented with respect to milk and dairy products.

9. Food aid in terms of dairy products continued to be adversely affected in 1989 by the reduction in available supplies, notably of skimmed milk powder.

10. 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 tenth annual report of the International Dairy Arrangement.

11. The Council authorized the Chairman to submit to the CONTRACTING PARTIES a report on the work done since November 1988 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 1990. 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 1989 and 1990 and to the fact that it might be necessary to make changes on short notice.