

# GENERAL AGREEMENT ON

RESTRICTED

L/6582

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# TARIFFS AND TRADE

Limited Distribution

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## 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 1989 (L/6567, paragraph 11). The report provides a resumé of the activities of the Council and its Committees since the Forty-Fourth Session of the CONTRACTING PARTIES.

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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 16 October 1989, 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.

The International Dairy Products Council elected Mr. K. Lillerud (Norway) as Chairman for 1989 and Mrs. J. Tyndall (New Zealand) as Vice-Chairperson. Mrs. Tyndall was also elected as Chairperson of the Committees of the Protocols. The Council held two regular sessions in 1989, one in March and one in September.

Basing itself on the reports from the Committees of the Protocols, documentation prepared by the secretariat and on information provided by participants during meetings, the Council undertook an evaluation of the situation in, and outlook for, the world market for dairy products.

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 non-existent, and were not expected to grow significantly in 1989/90, as the production of butter and skimmed milk powder had stabilized. The upward trend in both production and international trade of cheese and whole milk powder continued in 1989.

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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.

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.

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 pursued with respect to milk and dairy products.

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.

At its twenty-first session held in September 1989, 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 tenth annual report of the International Dairy Arrangement.