

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/6659

23 March 1990

Limited Distribution

INTERNATIONAL DAIRY PRODUCTS COUNCIL

TWENTY-SECOND SESSION

Note by the Chairman

1. The International Dairy Products Council held its twenty-second session on 21 March 1990.
2. Mr. J.P. Buda (Uruguay) was elected Chairman for 1990/91 and Mr. K. Lillerud (Norway) was elected Vice-Chairman of the Council. Mr. Lillerud was also elected Chairman 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 Certain Cheeses, the Protocol Regarding Certain Milk Powders and the Protocol Regarding Milk Fat.
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 increased by 0.7 per cent from 1988 to 1989 and was expected to grow at least at that rate in 1990. A continuous increase in production in North America, the USSR and India outweighed a further reduction in milk deliveries in most European countries. In New Zealand, the 1989 milk output was adversely affected by unfavourable weather conditions.

8. The market for milk and dairy products remained a fairly balanced one throughout 1989, with increased supplies of milk being well absorbed. At the end of 1989, intervention stocks of butter and skimmed milk powder were almost non-existent. However, early in 1990, intervention purchases of butter were made in the European Communities and also in the United States.

9. World production of butter exceeded its previous level by 1.2 per cent and amounted to 7.6 million tons in 1989. Early in 1990 there was a tendency for exportable availabilities of butter to increase, partly due to larger sales of light dairy products and partly due to declining butter consumption in a number of markets.

10. Production of skimmed milk powder declined for a third consecutive year in 1989, and exportable supplies remained limited.

11. Cheese production grew by another 0.2 per cent in 1989, and the trend appeared to have continued in 1990 while that for whole milk powder had stagnated. International trade in these products continued its upward trend.

12. Food aid in terms of dairy products was adversely affected by the reduction in available supplies and continued to decline in 1989, and was expected to remain low in 1990, probably being at a level of less than 100 thousand tons (product weight), roughly corresponding to one quarter of their level in the early eighties.

13. Prices in international markets which had risen strongly throughout 1988, stabilized overall in 1989. For cheese and powders, prices had reached historical records, while those for butter and anhydrous milk fat were still inferior to their levels early in the decade, confirming a difference in underlying price trends for fat and non-fat components of the milk.

14. Some weakening in world market prices for dairy products was observed from late 1989, and early in 1990 some quantities had reportedly been offered at substantially reduced prices, although prices remained well above the agreed minimum export prices. However, the fall in prices was not expected to continue and there was even some hope for a certain recovery in prices, notably in light of stocks being low. Appreciation was expressed with efforts made by participants to improve the dairy markets. Some concern was expressed that exchange fluctuations might again cause uncertainties to world dairy trade.

15. The International Dairy Products Council intends to hold its next regular session on 19 September 1990.