

GENERAL AGREEMENT ON

RESTRICTED

TARIFFS AND TRADE

L/6725

20 September 1990

Limited Distribution

INTERNATIONAL DAIRY PRODUCTS COUNCIL

TWENTY-THIRD SESSION

Note by the Chairman

1. The International Dairy Products Council held its twenty-third session on 18 September 1990.
2. Under Rules 11 and 12 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 Milk Powders, the Protocol Regarding Milk Fat and the Protocol Regarding Certain Cheeses. 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. 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. 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.
5. The world market for milk and dairy products remained a fairly balanced one throughout 1989 and intervention stocks of butter and skimmed milk powder were almost non-existent at the end of the year. However, in 1990 the balanced market situation for dairy products seemed to have come to an end, with strong downwards pressure on prices notably for butter and skimmed milk powder. Prices for dairy products came under pressure in international markets and some offers and sales of butter and skimmed milk powders were reportedly made at prices below the agreed minimum export prices. Depressed market prices for butter were feared also to affect adversely sales and prices of other dairy products, notably powders, as sales of dairy products are often linked or handled by the same operators.

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6. A vigorous demand for light products in many countries entailed a substantial surplus of milk fat for which butter production represented the only commercial utilization. Furthermore, a continued and even accelerated fall in butter consumption in North America and Europe resulted in increased exportable availabilities. In particular higher retail prices in Eastern Europe entailed a strong decline in domestic butter demand. Additional quantities of butter could be offered on international markets in 1990/91, resulting in pressure on market prices and in increased needs for intervention purchases.

7. The Protocol Committees established under the Arrangement expressed their concerns as to the unsatisfactory situation dominated by a fragile butter market, and urged participants to ensure full observance of the minimum export prices. An appeal was also made to non-participants not to offer or sell dairy products at prices below prevailing market prices and in particular not below the agreed minimum export prices. The Committees agreed that the minimum export prices would be maintained at their present levels.

8. 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 eleventh annual report of the International Dairy Arrangement.

9. The Council authorized the Chairman to submit to the CONTRACTING PARTIES a report on the work done since December 1989 in pursuance of the objectives of the International Dairy Arrangement. It was understood that the Chairman would do so on his own responsibility.

10. The Council adopted a tentative time schedule for regular meetings up to the end of 1991. 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.