

GENERAL AGREEMENT ON

RESTRICTED

L/6743
19 October 1990

TARIFFS AND TRADE

Limited Distribution

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 1990 (L/6725, paragraph 9). The report provides a resumé of the activities and considerations of the Council and its Committees since the Forty-Fifth Session of the CONTRACTING PARTIES.

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 20 October 1990, 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. J.P. Buda (Uruguay) as Chairman for 1990 and Mr. K. Lillerud (Norway) as Vice-Chairman. Mr. Lillerud was also elected as Chairman of the Committees of the Protocols. The Council held two regular sessions in 1990, 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 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

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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.

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.

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 (L/6715). The Committees agreed that the minimum export prices would be maintained at their present levels.

The Council reviewed the functioning of the Arrangement, basing its considerations on reports on the implementation of the Protocol Regarding Certain Milk Powders, the Protocol Regarding Milk Fat and the Protocol Regarding Certain Cheeses, and on information concerning production, consumption, trade and prices for dairy products 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 well and had proved to be a valuable instrument in restoring and maintaining the order in the international dairy market through concerted disciplines relating to export price fixing.

At its twenty-third session held in September 1990, 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 eleventh annual report of the International Dairy Arrangement.