

# GENERAL AGREEMENT ON

RESTRICTED

DPC/PTL/19  
21 June 1991

## TARIFFS AND TRADE

Special Distribution

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### International Dairy Arrangement

#### COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS COMMITTEE OF THE PROTOCOL REGARDING MILK FAT COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES

#### Report to the International Dairy Products Council

1. In pursuance of Article VII:2(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committees adopted the present report on their forty-sixth sessions, held on 17 and 18 June 1991.
2. The Committees adopted the agenda proposed in airgram GATT/AIR/3184 as well as the report on their forty-fifth sessions (DPC/PTL/18).
3. The Committees reviewed the replies to the questionnaires and requested members which had not yet communicated information for the first quarter of 1991 to do so without delay. The Committees took note of the summary tables prepared by the secretariat.
4. Participants exchanged information on transactions other than normal commercial transactions. The Committees noted that the European Communities intended to provide substantial quantities of whole milk powder as food aid to the USSR.
5. The Committee of the Protocol Regarding Certain Milk Powders took note of the information furnished by New Zealand, Poland and South Africa regarding intended sales of buttermilk powder and skimmed milk powder for purposes of animal feed at below the minimum export price under Article 3:5 of the Protocol. It was noted that most of the powder would be exported in an unaltered state to Japan having the necessary processes and control measures recorded in the Register (Annex Ic). It was furthermore noted that such information on Japanese imports of skimmed milk powder under Article 3:5 was included in the quarterly replies to Questionnaire 1. The Committee also took note of the summary table regarding sales made in accordance with Article 3:5 of the Protocol (DPC/PTL/W/40/Rev.1).
6. The Committee of the Protocol Regarding Milk Fat took note of the additional information furnished by Australia, the European Communities, Finland and New Zealand regarding sales notified in relation to the Decision of 12 December 1990 (DPC/PTL/16). Serious concerns were expressed

with respect to delays in shipments mainly due to payment difficulties experienced by the USSR. Uncertainties persisted as to whether the quantities initially contracted would be delivered in their entirety by the end of September 1991.

7. The Committee of the Protocol Regarding Certain Cheeses took note of the information furnished by Australia and Poland regarding operations under Article 7:2 of the Protocol. Certain participants expressed concern with regard to the use of this derogation by Australia.

8. The Committees reviewed the market situation for products covered by the Protocols. In the second quarter of 1991, the market situation for cheese remained steady and requirements of milk powder markets remained basically unchanged although some increase in stocks of skimmed milk powder could be observed. However, the market situation for butter and anhydrous milk fat continued to worsen with the accumulation of stocks, following a persisting decline in butter consumption in many countries and an extremely weak international demand. Some offers and sales of butter and anhydrous milk fat were reportedly made at prices below the agreed minimum export prices. International prices of milk powders were eroded due mainly to the continued strengthening of the United States dollar. In this connection, concerns were expressed as to uncertainties regarding the stability of the world market for dairy products caused by the appreciation of the United States dollar.

9. For the second quarter of 1991, the following ranges of prices were reported (per ton f.o.b.):

- between US\$1,250 and US\$1,300 for skimmed milk powder for human consumption;
- between US\$1,250 and US\$1,330 for whole milk powder;
- between US\$1,350 and US\$1,400 for butter;
- between US\$1,625 and US\$1,800 for anhydrous milk fat;
- between US\$1,550 and US\$1,800 for Cheddar cheese.

10. The Committee of the Protocol Regarding Certain Milk Powders and the Committee of the Protocol Regarding Milk Fat examined a communication from South Africa circulated in DPC/PTL/W/53 requesting derogations under Article 7 of the two Protocols in order to remedy difficulties which observance of minimum prices was causing. At the same time, South Africa advanced two ideas for a general solution of the problem; one would be to grant a general derogation allowing participants to sell specific quantities per year without any commitment as to prices but with full notification; another would be a downward adjustment of the relevant minimum prices. The opinion prevailed that while some kind of joint action would be appropriate to alleviate the difficulties encountered by South Africa, the Committees felt that more time was needed for examining possible solutions. A consensus was apparently not emerging as to the

granting neither of a separate derogation for South Africa nor of a more general derogation allowing participants to sell specific quantities at prices below the agreed minimum prices and with regard to a possible downward adjustment of the relevant minimum prices, positions of delegations differed considerably. In this situation, the Committees agreed to pursue further their considerations of prices as well as any other options and hopefully settle the matter at a later stage.

11. The Committees had a discussion on the relationship between minimum export prices fixed for pilot products. They took note of a comment that it might be appropriate to re-examine the ratio between the minimum export prices for butter oil and butter. Participants wanted to reflect further on the matter and it was agreed to revert to it at the next regular meetings in the framework of the review of the level of minimum prices. Participants wishing to furnish background notes in this connection were invited to do so well before the September meetings.

12. The next regular sessions of the Committees will be held consecutively on 16 and 17 September 1991, subject to confirmation by the secretariat.