

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

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RESTRICTED

L/6904

20 September 1991

Limited Distribution

### INTERNATIONAL DAIRY PRODUCTS COUNCIL

#### TWENTY-FIFTH SESSION

##### Note by the Chairman

1. The International Dairy Products Council held its twenty-fifth session on 18 September 1991.
2. Under Rules 11 and 12 of the Rules of Procedure, the Economic Commission for Europe and the OECD attended 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 international dairy trade, notably through concerted disciplines relating to export price fixing and through actions taken to cope with problems occasionally occurring in particular markets.
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. World milk production which in 1990 had increased by 1.6 per cent was expected to decrease in 1991 following decreases in the USSR and the Communities of respectively 8 per cent and 2 per cent. Cheese production grew by another 2.7 per cent in 1990, and the trend continued in 1991. Increased growth in cheese consumption led to a lively import demand and cheese trade expanded further in 1990 and 1991, with world market prices remaining well above agreed minimum export prices.

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6. World butter production grew in 1990 at a rate of 1.4 per cent amounting to 7.70 million tons but was decreasing in 1991. A persisting vigorous demand for light products, resulting in substantial surpluses of milk fat and a continued low butter consumption in many countries, entailed increased exportable availabilities. Increased retail prices in Central and Eastern Europe discouraged domestic butter demand. Additional quantities of butter were offered on international markets in 1990/91, resulting in pressure on market prices and in increased need for intervention purchases. Depressed market prices for butter also adversely affected sales and prices of other dairy products, notably powders in 1990 and early 1991. However, later in the year, prices were recovering and minimum export prices were maintained at their present level. Concerns were expressed that stocks of butter and skimmed milk powder would remain high. World stocks at the end of 1991 were forecast at around 1 million tons for each product.

7. In light of developments in the international butter market and in particular the situation with respect to imports into the USSR, the Committee of the Protocol Regarding Milk Fat decided in December 1990 that some provisions of the Arrangement should not apply to butter exports to the USSR, provided certain conditions were complied with. However, the USSR was facing payment problems and deliveries to that market had been delayed.

8. It was noted that there could be need for substantial supplies to the USSR of food for relief purposes in 1991/92. A number of participants stressed the commercial importance of this market and sought assurances that any decision to provide food aid in response to the request from the USSR should be such as to cause minimum disruption to the commercial market. The Council took note of the views and concerns expressed relating to requests for such food aid.

9. 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 twelfth annual report of the International Dairy Arrangement.

10. The Council authorized the Chairman to submit to the CONTRACTING PARTIES a report on the work done since December 1990 in pursuance of the objectives of the International Dairy Arrangement. It was understood that the Chairman would do so on his own responsibility.

11. The Council adopted a tentative time schedule for regular meetings up to the end of 1992. 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.