

# GENERAL AGREEMENT ON

# TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

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## 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 1991 (L/6904, paragraph 10). The report provides a resumé of the activities and considerations of the Council and its Committees since the Forty-Sixth Session of the CONTRACTING PARTIES.

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The International Dairy Arrangement came into operation on 1 January 1980 and has been extended until 31 December 1994, in conformity with Article VIII, paragraph 4. As of 1 November 1991, 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. K. Luotonen (Finland) as Chairman for 1991 and Mr. M. Jordana (Australia) as Vice-Chairman. Mr. Jordana was also elected as Chairman of the Committees of the Protocols. The Council held two regular sessions in 1991, 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.

World milk production, which in 1990 had increased by 0.6 per cent, was expected to decrease in 1991 following decreases in the USSR and the Communities. Cheese production continued to grow in 1990 and 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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World butter production continued to grow in 1990, but was decreasing in 1991. However, a persisting vigorous demand for light products resulted in substantial surpluses of milk fat. Butter consumption remained low in many countries and increased retail prices in Central and Eastern Europe discouraged domestic butter demand. As a consequence, additional quantities of butter were offered on international markets in 1990/91, with pressure on market prices and 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 prices recovered later in the year and minimum export prices were maintained at their present level. Stocks of butter and skimmed milk powder remained high, with world stocks at the end of 1991 forecast at around 1 million tons for each product, which of course caused some concern.

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. In 1991, deliveries to the USSR market were, however, delayed due to payment problems. Requests were made for substantial supplies to the USSR area of food for relief purposes also in 1991/92. In view of the great commercial importance of that market, a number of participants 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.

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 examined information submitted 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.

At its twenty-fifth session held in September 1991, 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 twelfth annual report of the International Dairy Arrangement.