

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

DPC/F/6  
6 April 1981

## International Dairy Arrangement

### COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

#### FOURTH SESSION

##### Report

##### Introduction

1. The Committee of the Protocol Regarding Milk Fat held its fourth session on 17 December 1980.

##### Adoption of the agenda

2. The Committee adopted the following agenda:
  1. Adoption of the agenda
  2. Adoption of report on the third session
  3. Information required by the Committee:
    - (a) Replies to Questionnaire 2
    - (b) Summary tables
    - (c) Other information
  4. Review of the market situation for products covered by the Protocol
  5. Adoption of report to the Council
  6. Other business

##### Adoption of report on the third session

3. The Committee adopted the report on its third session. The report will be circulated as document DPC/F/5.

##### Information required by the Committee

###### (a) Replies to Questionnaire 2

4. The Committee reviewed the replies to Questionnaire 2 and requested members which had not yet communicated information for the third quarter of 1980 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 2 relating to the fourth quarter of 1980 should reach the secretariat not later than 15 March 1981.

(b) Summary tables

5. The Committee was informed that in accordance with rule 28 of the Rules of Procedure the secretariat had prepared summary tables incorporating the data provided in Table A of Questionnaire 2 in respect of anhydrous milk fat and butter. The Committee had before it a document containing revised summary tables (DPC/F/W/1/Rev.3). The Committee took note of that document.

(c) Other information

6. No other information was requested.

Review of the market situation for products covered by the Protocol

7. The representative of the European Economic Community said that on 11 December 1980 public stocks of butter had totalled 140,973 tons with private stocks at 139,732 tons. For 1980, a very moderate decline from the 1979 level, of the order of 0.8 per cent, was expected in butter production. There had been a slight decline in butter consumption in 1980. The situation in regard to butter exports in 1980 could be considered satisfactory. Taking into account the new refund of ECU 125 per 100 kgs. applicable as from 1 January 1981, Community operators would be able to export butter of 82 per cent fat content at prices between US\$2,100 and US\$2,200 per ton f.o.b. Export prices of anhydrous milk fat were expected to be between US\$2,400 and US\$2,450 per ton f.o.b. taking into account the refund of ECU 178.70 per 100 kgs. to be applicable as from 1 January 1981.

8. The representative of Switzerland said that in his country deliveries to dairies in 1981 could be expected to be 1 to 2 per cent below the 1980 level. Butter production had declined marginally in the three first quarters of 1980. Over the same period, domestic consumption had increased by approximately 3 per cent. Butter imports in the nine first months of 1980 had almost doubled in relation to the corresponding period of 1979. Butter stocks were at normal levels. In view of measures introduced to reduce milk production, output of butter could be expected to drop back somewhat in the longer term. Butter imports might be in the region of 15,000 tons in 1981, as against 12,000 tons estimated for 1980.

9. The representative of Austria said that production and domestic consumption of butter in the three first quarters of 1980 had been above the level for the corresponding period of 1979. In that same period of 1980 imports and exports had been negligible.

10. The representative of South Africa said that production and domestic consumption of butter were expected to show an increase in 1980 to approximately 18,300 tons and 17,400 tons respectively. Closing stocks at 31 December 1980 were expected to be in the region of 5,300 tons.

11. The representative of New Zealand said that the international butter market remained firm, due to lower EEC production and stocks, and the currently strong demand for butter in Eastern Europe. However, even at current levels consumer resistance could increase, and the forward pricing position would be affected by EEC production, stocks and restitution changes. In the view of his delegation the present export price was volatile, and could be undermined by deteriorating economic and political pressures. Anhydrous milk fat prices and sales remained especially vulnerable to competition from lower-priced vegetable oils. New Zealand recently had established export prices with major continuing trades at US\$2,000 per metric ton f.a.s. level for anhydrous milk fat. The price objective was now US\$2,200 per metric ton f.a.s. For butter (bulk salted basis) pricing had been at a minimum of US\$1,800 per metric ton f.a.s.

12. The representative of Finland said that in earlier years his country had normally exported 16,000 to 20,000 tons of butter each year. Opening stocks at 1 January 1980 had been at the very low level of 4,000 tons. Those stocks had subsequently been replenished, reaching 13,000 tons at 1 October 1980. As a result, butter exports could be expected to decline in 1980 to approximately 10,000 tons, as against 19,000 tons exported in 1979. With respect to prospects for 1981, production was likely to be in the region of 71,000 to 72,000 tons, without change from the production estimate for 1980. Domestic consumption could be expected to be lower in 1981 than in the preceding year. As a result, exports might increase by 4,000 tons in 1981 over the level estimated for 1980, to reach approximately 14,000 tons.

13. The observer of Canada said that creamery butter production in 1980 was expected to be about 101,000 tons, an increase of 3.1 per cent from the 1979 figure. Domestic disappearance of creamery butter in 1980 was expected to reach 108,500 tons, an increase of 2.6 per cent from 1979 levels. Stocks of butter on 1 January 1981 were estimated at about 13,000 tons compared with 20,400 tons on 1 January 1980. Imports and exports of butter in 1980 were nil.

14. The representative of Hungary said that in the three first quarters of 1980, butter production had increased by about 12 per cent to around 25,000 tons. The increased production had been used for domestic consumption. Butter exports in the three first quarters of 1980 had increased strongly to 4,300 tons, as against 900 tons in the corresponding period of 1979. Total exports in 1980 could be expected to reach 5,000 to 6,000 tons as against 3,000 tons in 1979.

15. The representative of Australia said that despite adverse weather conditions butter and anhydrous milk fat production had been maintained to some extent by diversion of milk supplies away from cheese. Consequently, it was expected that export availability would be maintained at around 13,000 tons. Prices of butter were firming very rapidly; current export prices were around US\$1,850 per metric ton.

16. The representative of Romania said that butter production in 1980 was likely to remain stable at 40,000 tons. In 1981 it might reach 41,100 tons. Butter exports in 1980 were estimated at approximately 5,900 tons as against 9,200 tons in 1979. Imports of butter had reached 3,000 tons in 1979, but might drop back to 1,000 tons in 1980. Domestic consumption of butter had remained stable. Closing stocks at the end of 1980 were estimated at 1,400 tons as against 2,800 tons at 1 January 1980.

17. The representative of the United States said that the support price for milk had reached US\$13.10 per 100 lbs. in October 1980. Consequently, the support price for butter was US\$1.49-US\$1.52 per lb. Butter production increased during July-August 1980 as compared to the previous year. The commercial disappearance of butter in the second quarter of 1980 had been 20 per cent lower than in the second quarter of 1979. Because of the sluggish sales, purchases of butter by the Commodity Credit Corporation (CCC) during January-September 1980 had been 268 per cent higher than in the same period of 1979. Stocks of butter held by the CCC on 30 September 1980 had amounted to 89,000 tons.

18. The representative of Japan said that butter production had followed the same trend as production of skinned milk powder. Due to the demand and supply situation, imports of butter, except for small amounts for special purposes, had been stopped since 1978. Concerning imports of butter, imports of prepared edible fats containing a large amount of milk fat had increased and in 1979 amounted to 20 per cent of the domestic production of butter (9,000 tons of butter equivalent). From January to September of 1980 these imports continued to increase. This increase in the imports of prepared edible fats had an influence on butter consumption and prices. In September of 1980 stocks of butter were around 34,000 tons.

19. The representative of the European Economic Community informed the Committee that the Customs Co-operation Council in Brussels had decided at its last meeting that preparations containing fats and butter were to fall within CCCN heading 15.10, whereas hitherto mixtures of vegetable and butter fats had been considered as food preparations falling within heading 21.07. Following that decision by the Customs Co-operation Council, the Community would no doubt have to amend its basic regulation No. 804/68. He would give further clarifications on the matter to the Committee at its next meeting.

20. The representative of New Zealand noted that his delegation had drawn the attention of several GATT bodies to a potential reclassification of edible fat preparations. The products to which the representative of the Community had just referred were not new products for his country. In the view of his delegation, such products had a commercial future and allowed butter to compete with other fats in certain markets where it was not competitive.

Adoption of report to the Council

21. In pursuance of Article VII:2(a) of the Arrangement and rule 22 of the Rules of Procedure, the Committee adopted its report to the Council. That report on the Committee's fourth session will be distributed as document DPC/F/4.

Other business

Date of coming session

22. The Committee decided to hold its next regular session on 31 March 1981, subject to confirmation by the secretariat. According to the preliminary programme of meetings, the Committee's second, third and fourth regular sessions in 1981 will take place on 18 June 1981, 22 September 1981 and 17 December 1981 respectively, subject to confirmation by the secretariat.