

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
DPC/P/8
30 June 1981

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

FIFTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Certain Milk Powders held its fifth session on 31 March 1981.

Adoption of the agenda

2. The Committee adopted the following agenda:
1. Adoption of the agenda
 2. Election of the Chairman and the Vice-Chairman
 3. Adoption of report on the fourth session
 4. Information required by the Committee:
 - (a) Replies to Questionnaire 1
 - (b) Summary tables
 - (c) Other information
 5. Review of the market situation for products covered by the Protocol
 6. Other business.
3. Opening the session, the Chairman welcomed Greece which had become a participant to the International Dairy Arrangement on 1 January 1981.
4. Election of the Chairman and the Vice-Chairman

The Committee designated Mrs. Francine Hubert (secretariat) as Chairman; it agreed not to elect a Vice-Chairman at the current session.

Adoption of report on the fourth session

5. The Committee adopted the report on its fourth session. The report will be circulated as document DPC/P/6.

Information required by the Committee

(a) Replies to Questionnaire 1

6. The Committee reviewed the replies to Questionnaire 1 and requested members which had not yet communicated information for the fourth quarter of 1980 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 1 relating to the first quarter of 1981 should reach the secretariat not later than 15 June 1981.

7. The representative of the EEC reminded the Committee that his delegation was not in a position to communicate quarterly data on the destination of exports and origin of imports. Those data became available only six to eight months after the end of the period considered. It would be useful if, when replying to questionnaires, participants could give a clear definition of their stocks of dairy products. It was to be hoped that a harmonized definition of stocks could be agreed upon so that such data might be comparable.

8. The representative of the United States said that his country's trade statistics broken down by destination and origin became available only one year after the period considered. His delegation was furnishing quarterly global data on trade, production, consumption and stocks of the dairy products covered by the Protocols.

9. It was noted that some participants were furnishing detailed data quarterly on trade in the products covered by the Protocols. In that context, the representatives of Australia and New Zealand expressed the hope that all participants would endeavour to raise the standard of the information submitted to the Committee and would furnish data on the destination of exports and origin of imports even after the time-limit set by the rules of procedure.

10. The Committee was informed that Spain had just communicated some supplementary information clarifying and amending certain data furnished by that country in its reply to Questionnaire 1, circulated as DPC/STAT/16/Add.2. That information would be circulated in a supplement to the earlier document.

11. The Committee accepted, on a trial basis, the secretariat's proposal for a new presentation of replies to Questionnaire 1. In order to allow more rapid distribution of the documents and achieve some economies, replies to the Questionnaire would be circulated in the original language only, with a translation of all footnotes on the last page. It was also agreed that a reference document would be circulated indicating in the three working languages all titles and headings in the Questionnaire.

(b) Summary tables

12. 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 1 in respect of skimmed milk powder and whole milk powder. The Committee had before it a document containing revised summary tables (DPC/P/W/1/Rev.4). The Committee took note of that document.

(c) Other information

13. In pursuance of Rule 23 of the Rules of Procedure stipulating that the questionnaires can be revised in the light of data communicated, the Committee decided that it would be useful to have a meeting at expert level to examine the matter on the occasion of its June 1981 session.

Review of the market situation for products covered by the Protocol

14. The representative of the European Economic Community informed the Committee that production of skimmed milk powder in 1980 had been about 1 per cent below the preceding year's level. It was estimated that in the nine first weeks of 1981 production had increased by 6 to 7 per cent as against the corresponding period of 1980. It was expected furthermore that production in 1981 might be 1 or even perhaps 2 per cent above the 1980 level. Total exports of skimmed milk powder in 1980 had declined by about 4.6 per cent; food aid exports had also dropped back in 1980 as compared with 1979. According to certain indications, exports in 1981 could be expected to remain stationary or increase slightly in comparison with 1980. Stocks of skimmed milk powder currently totalled some 150,000 tons as against 230,000 tons at 1 January 1981 and 227,000 tons at 1 January 1980. It was estimated that stocks would not increase to any significant extent and would remain at a reasonable level in the coming months. Export prices of skimmed milk powder were between US\$1,040 and US\$1,070 per ton f.o.b.

15. The representative of New Zealand made a general statement on the market situation. The excellent dairy production conditions experienced in the 1979/80 season had continued well into 1980/81 season. For the first part of the season, a combination of good rainfall, pasture growth and feed reserves maintained production at or even ahead of last season's levels. Milk fat processed in the eight months ending January 1981 had been 210,800 metric tons representing an increase of 4.4 per cent on the corresponding period of the 1979/80 season. Milk fat processed by dairy factories in the month of January 1981 had been 35,700 metric tons, an increase of 4.1 per cent over January 1980. He emphasized, however, that the 1979/80 season had been overall an exceptionally good one and the current season should not be expected to match these production levels. In fact, the expected downturn commenced in February 1981, with total production being down about 6 per cent

on February 1980. A much drier summer in the main dairying regions than the previous season was an important factor in making it likely that final results for the 1980/81 season will be lower than the 290,000 metric tons of milk fat produced in the previous season. He said that during 1980, the international market for dairy products had continued to improve. Total world milk production in 1980 had increased only moderately and import demand had remained buoyant with total exports again expanding. The stock levels in major importing countries had continued to decline, especially in the EEC, the largest exporter, and price levels had strengthened significantly throughout 1980 and into 1981 as a direct result of the supply and demand situation and heavy reduction in EEC export refunds. Since stock levels reflected the state of the market and influenced price levels, it was pleasing to note that the Community had not only achieved by 1980 a heavy reduction in its stocks of butter and skimmed milk powder, but during 1981 had further reduced these stocks and they were now down to virtually non-surplus levels. This welcome development had been achieved largely through expanded internal disposals and more determined application of measures aimed at reducing surpluses. He noted that the level of Community stocks and export prices had a direct influence on the level of stability of prices on the international market. Future prosperity and stability of the international market depended very heavily on the Community continuing to contain and manage its stock level for all dairy products. He pointed out that in contrast to the Community, the dairy stock situation in the United States had deteriorated during 1980 and into 1981, and was a matter for concern. The previous series of half-yearly increases in the United States' support prices which were linked to dairy farmers' purchasing power rather than directly to costs, had meant that prices there have risen far more steeply than in the Community. The United States milk production had risen to record levels and stocks held by the Commodity Credit Corporation (especially of skimmed milk powder) were high and burdensome. He noted that milk production in Japan had not increased this year. This was an encouraging development. Government pricing policy had finally had an impact on production, and it was hoped that it will continue to do so. However, it must be recalled that production in Japan had already reached levels where there is a surplus of skimmed milk powder, an effective ceiling on the market for imported cheese and no market for imported butter. International price levels for milk powders had further firmed to the level of US\$1,050-1,100 per metric ton f.o.b. for skimmed milk powder and to US\$1,450-1,500 per metric ton f.o.b. for whole milk powder. The continuation of buoyant trading at improved prices tended to indicate that buyers on the international market were accepting present prices because they still represented good value for money and that the depressed prices in 1976-78 had been totally artificial and abnormal. He concluded by stating that there was a new level both of acceptance and of enforcement of dairy produce prices on the international market. In the view of his delegation the market should remain firm at or around the present price levels, depending on the large producers continuing their recent prudent policies.

16. Referring to the statement on the market situation just made by the New Zealand representative, the representative of the European Economic Community said that he could not accept that prices were determined by the Community alone. In 1980 New Zealand had exported some 165,000 tons of skimmed milk powder and 86,000 tons of whole milk powder. He asked the New Zealand representative to give the Committee an estimate for the year 1981 of production, exports and the trend in stocks of skimmed milk powder and whole milk powder.

17. In reply, the representative of New Zealand estimated that his country's exports of skimmed milk powder and whole milk powder could remain stationary in 1980/81 in relation to 1979/80.

18. The representative of Switzerland said that milk deliveries in the calendar year 1980 had been about 1 per cent below the 1979 level. Deliveries could be expected to level off in the coming months. Production of skimmed milk powder had dropped back by 11 per cent in 1980 in relation to 1979. The downward trend in production was expected to slow down in the coming months. Consumption had increased slightly in 1980 while exports, which had been nil in 1979, had totalled 6,200 tonnes in 1980. Switzerland would probably not export any skimmed milk powder in the first six months of 1981. Stocks of skimmed milk powder were at relatively low levels. With respect to whole milk powder, production and consumption had increased marginally in 1980.

19. The representative of Finland said that milk production had increased considerably in the last two months of 1980 and the first two months of 1981. Measures had been envisaged to hold down production in the coming months so that the increase in milk production was likely to be about 2 per cent for 1981 as a whole. With respect to milk powders, production of skimmed milk powder was expected to remain stationary in 1981. Finland's production of skimmed milk powder was entirely intended for domestic consumption. With respect to whole milk powder, exports could be expected to be in the region of 30,000 tons in 1981 as in 1980. Export prices of whole milk powder were in the region of US\$1,500 per ton f.o.b., and were tending to rise slightly.

20. The representative of Austria said that production of skimmed milk powder had increased by 16 per cent in 1980 while total domestic consumption and exports had declined in the same period by 13.2 and 20.4 per cent respectively. Stocks of skimmed milk powder at the end of 1980 had been more than double the level at the beginning of the year. The decline in consumption was attributable to a reduction in the consumption subsidy on skimmed milk powder intended for animal feed. Existing stocks could be sold either in the international market or in the domestic market, perhaps with an increase in the subsidy paid to manufacturers of compound feeding stuffs. Production of whole milk powder had increased by 14.6 per cent in 1980 while total domestic consumption and exports had declined by about 9 and 14 per cent respectively. Stocks of whole milk

powder at the end of 1980 had totalled 2,700 tons, as against 1,100 tons at the beginning of the year. In the first two months of 1981 exports of skimmed milk powder had risen while those of whole milk powder had declined slightly.

21. The representative of Norway said that production of skimmed milk powder in 1980 had increased by about 13 per cent while total domestic consumption had dropped back by approximately 12 per cent. As a result, imports of skimmed milk powder had fallen off considerably to around 900 tons in 1980 as against 2,400 tons in 1979.

22. The representative of Australia said that milk production in the 1980/81 season was estimated at about 5 per cent below the preceding season's level. Consequently, a reduction could be expected in the quantities of processed products available for export. Despite the probable decline in production of milk for processing, butter production, which had dropped back because of the drought, was likely to increase in 1981 as a result of production incentive measures to meet domestic demand. Such a trend should bring a parallel increase in production of skimmed milk powder and a decline in that of whole milk powder. Export prices of skimmed milk powder were of the order of US\$1,150 per metric ton f.o.b. Exports of whole milk powder were expected to be in the vicinity of 52,000 tons in 1981, at prices around US\$1,450 per metric ton f.o.b. The market for milk powders was remaining fairly stable and firm.

23. The representative of South Africa said that skimmed milk powder production had remained stable in 1980 as against 1979. Total domestic consumption had increased slightly in 1980, while end-of-year stocks had been about 1,000 tons below their level at the beginning of 1980. Stocks of whole milk powder had totalled some 2,600 tons at the end of 1980, a level considered normal. Production of whole milk powder in 1980 had been virtually equivalent to total domestic consumption over the same period. A parallel increase in production and consumption of whole milk powder could be expected.

24. The representative of Hungary said that milk production had increased in 1980 by about 3 per cent in relation to 1979. Domestic consumption of milk and milk products had also increased, though more slowly than production. As a result, Hungary's exports of dairy products had increased in 1980 in relation to 1979. Skimmed milk powder production had risen by 18 per cent to 36,400 tons. Exports, which had been nil in 1979, reached 8,800 tons in 1980. Production of milk and milk products was likely to increase further in 1981. Domestic consumption could also be expected to rise at the same rate as production. Exports in 1981 were likely to remain at the same level as in 1980.

25. The representative of Sweden said that production and exports of skimmed milk powder in 1980 had been slightly below the 1979 level. Skimmed milk powder exports were expected to reach 12,000 tons to 13,000 tons in 1981 as

against 11,400 tons exported in 1980. Stocks of skimmed milk powder at the end of 1980 showed virtually no change in relation to the beginning of the year.

26. The representative of Japan said that production of skimmed milk had increased rapidly year by year since the fiscal year 1976, reflecting the demand and supply situation of fresh milk. Recently, however, production had fallen off slightly as a result of measures to adjust milk production. Skimmed milk powder production had declined by 7 per cent in 1980. The Livestock Industry Promotion Corporation (LIPC) had imported no skimmed milk powder since the fiscal year 1977. Imports of skimmed milk powder for school lunches or animal feed had continued at a stable level. Purchases of skimmed milk powder from the EEC for animal feed had increased. Stocks of skimmed milk powder had stood at 90,000 tons at the end of 1980 as against 104,000 tons at the beginning of the year. Having regard to the high level of stocks, no increase in Japan's imports of skimmed milk powder was likely in 1981.

27. The observer for Canada said that skimmed milk powder production had continued to decline reaching 100,800 tons in 1980, i.e. 4.9 per cent less than in 1979. Domestic consumption had dropped back by 18 per cent in 1980 to 42,600 tons. Stocks of skimmed milk powder at the end of 1980 had stood at 16,700 tons, as against 11,000 tons at the beginning of the year. Exports of skimmed milk powder had declined sharply in 1980 (by about 33 per cent) to reach 60,400 tons. Export prices were in the region of US\$1,175 per ton f.o.b. Production of butter was expected to decline in 1981 and skimmed milk powder output had been forecast at 4 per cent below the level for 1980. Any substantial increase in Canada's skimmed milk powder exports was unlikely in 1981.

28. The representative of Argentina said that production, imports and domestic consumption of skimmed milk powder had declined substantially in 1980, in relation to 1979. Exports had been virtually nil. Production of whole milk powder had increased by about 10 per cent to reach 52,200 tons. Imports and exports of whole milk powder had also increased in 1980. Exports went to neighbouring countries and at fairly high prices.

29. The representative of Bulgaria said that production of skimmed milk powder had totalled 2,100 tons in 1980, entirely intended for domestic consumption. Similarly, whole milk powder production, which in 1980 had been slightly over the preceding year's level, was also intended for domestic consumption. Bulgaria exported neither skimmed nor whole milk powder and stocks of those products were non-existent.

30. The representative of the United States said that milk production in 1980 had increased by 4.1 per cent over 1979. With respect to probable trends in the market for dairy products, he said that milk production in

1981 could increase by 2 to 3 per cent over 1980. Production of skimmed milk powder had increased by approximately 27 per cent in 1980 in relation to 1979. Stocks of skimmed milk powder had also increased sharply in the course of 1980, reaching 267,000 tons at the end of the year, and had continued to develop in early 1981, to a level of around 271,000 tons at 13 March 1981. Total domestic consumption of skimmed milk powder had risen by 5 per cent in 1980 in relation to 1979. He informed the Committee that the Commodity Credit Corporation (CCC) had recently sold 60,000 metric tons of skimmed milk powder to Mexico. The skimmed milk powder, part of CCC's surplus inventory, had been sold for US\$1,225 per metric ton and would be used in the social programmes of "CONASUPO", a Mexican Government agency. The deliveries were scheduled over the next 12 months.

31. The representative of the European Economic Community said that major financial efforts were being made within the Community to promote internal consumption of skimmed milk powder. Human consumption in the Community was stable at around 240,000 tons each year. The major part of consumption (around 1,200,000 tons in 1980) was intended for feeding calves at subsidized prices. In the past, special measures had been taken for sales of skimmed milk powder at greatly reduced prices to manufacturers of compound feeding stocks for swine and poultry. It might be useful if participants could prepare for a more detailed discussion at the Committee's next session on measures taken to promote consumption of skimmed milk powder intended either for human consumption or for animal feed.

32. The Committee agreed to discuss in detail at its next session, in particular, the question of skimmed milk powder consumption.

Other business

Report to the Council

33. The Committee agreed that an oral report on discussions at the current session would be presented to the Council.

Date of the next session

34. In accordance with the preliminary programme adopted at its fourth session, the Committee decided to hold its next regular session on 17 June 1981, subject to confirmation by the secretariat.