

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED  
DPC/P/14  
30 June 1982

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## International Dairy Arrangement

### COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

#### NINTH SESSION

##### Report

#### Introduction

1. The Committee of the Protocol Regarding Certain Milk Powders held its ninth session on 30 March 1982.

#### Adoption of the agenda

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

#### Election of the Chairman and Vice-Chairman

3. The Committee entrusted the chairmanship to the secretariat (Mrs. Francine Hubert); it did not elect a Vice-Chairman.

#### Adoption of report on the eighth session

4. The Committee adopted the report on its eighth session, which will be circulated as document DPC/P/12.

Information required by the Committee

(a) Replies to Questionnaire 1

5. The Committee reviewed the replies to Questionnaire 1 communicated for the fourth quarter of 1981. In addition, it was recalled that replies to Questionnaire 1 relating to the first quarter of 1982 should reach the secretariat not later than 15 June 1982.

(b) Summary tables

6. The Committee had before it a document containing revised summary tables (DPC/P/W/1/Rev.8) prepared under Rule 28 of the Rules of Procedure and covering the information furnished in Table A of Questionnaire 1 regarding skimmed milk powder and whole milk powder. Regarding the percentages shown in those tables, it was pointed out that in certain cases the data furnished by participants had been rounded off to the nearest thousand metric tons and as a result the percentages could be distorted. Document DPC/P/W/1/Rev.8 also contained tables showing exports by destination for skimmed and whole milk powder (years 1979 and 1980) as had been proposed at the preceding session. The Committee had considered that more time was needed to examine the tables which could be included in the status report and had decided to revert to the matter at the current session. Reference was made to the difficulties encountered in preparing tables showing exports by region, in particular the fact that the data furnished by certain participants mentioned only one or two countries of destination or gave only a breakdown by regions. In cases where the figures were only limited, it would be desirable for participants to furnish at least two meaningful figures, so that the percentages calculated would not be distorted by rounding-off, and for the data in the tables by destination to be more detailed. The Committee agreed that the tables showing exports by destination would be kept up to date and included in the status report. The Committee took note of document DPC/P/W/1/Rev.8.

(c) Other information

7. No other information was requested.

Information on food aid

8. At the Council session of 1 October 1981, it had been suggested that the Committees might give particular attention to the question of food aid at their first session in 1982, and it had been pointed out that the secretariat note on food aid operations contained material that would be still more beneficial if examined within a framework that the Committees could help to broaden on the basis of all available information. The Council had asked the Committees to discuss the matter and to examine the problem of the information needed. At its session on 16 December 1981, the Committee had

decided to give particular attention to the question of food aid and had been invited to examine the information reproduced in the secretariat note (DPC/W/21) in respect of food aid in the form of milk powders.

9. The representative of New Zealand made a general statement on food aid. He pointed out that food aid had an important effect on international trade. Aid shipments of skimmed milk powder in 1980 had been 250,000 tons out of total world exports of 953,600 tons (i.e. 26 per cent). Aid shipments of anhydrous milk fat had been 44,000 tons out of total world exports of 267,200 tons (i.e. 16 per cent). For 1981 aid shipments of skimmed milk powder were expected to increase to 300,000 tons and aid shipments of anhydrous milk fat to be at 45,000 tons. In the view of his delegation the use of dairy products in international food aid should not be simply an excuse to export unwanted domestic surpluses which had been created by an unrealistic domestic support policy. A prime consideration was that of need in the donee developing country. Aid shipments should not be stop-go or designed to relieve short-term domestic surpluses in the donor country. The effects on international dairy markets of international aid programmes required further analysis by the International Dairy Arrangement. The analysis should also address itself to the need for distributive controls to ensure that any detrimental effect on international prices of increasing aid shipments was limited. Donors should ensure that adequate controls existed in the recipient countries to prevent food aid shipments disrupting normal commercial shipments. Care should be taken to ensure that not only were normal commercial exports not displaced but that domestic prices levels were not depressed by the sale of aid shipments on the open market. Effects such as these could be magnified when domestic controls were ineffective and aid shipments intended for free distribution found themselves on the open market. A liaison with the Consultative Sub-Committee on Surplus Disposal should ensure that adequate safeguards could be formulated and applied.

10. The representative of the EEC associated himself with the statement made by the New Zealand representative. The EEC had considerable experience regarding food aid in the form of dairy products. The food aid programme provided for deliveries totalling 150,000 tons of skimmed milk powder each year, i.e. more than 70 per cent of total aid in the form of skimmed milk powder. The aid was furnished as donations, the quantities and destinations being programmed in advance. Beneficiaries could thus rely on food aid from the Community. In addition, the Community took care not to disturb trade flows. There were certain other transactions which could be assimilated to food aid but had not been notified. It would be desirable for participants engaging in any such transactions to notify them in future under the Arrangement.

11. The representative of the United States said that he would transmit to his authorities the request made by the EEC representative.
12. The representative of Australia said that food aid in the form of whole milk powder had totalled 1,100 tons in the first quarter of 1982, including 400 tons delivered to Sri Lanka and 700 tons to Tanzania. For the second quarter of 1982 it was proposed to furnish 1,439 tons of skimmed milk powder under the World Food Programme. The destinations were Bhutan (42 tons), Fiji (150 tons), Indonesia (65 tons), Nepal (538 tons), Pakistan (235 tons), Philippines (259 tons) and Western Samoa (150 tons).
13. Referring to the footnote on page 11 of document DPC/W/21, the representative of the United States estimated that skimmed milk powder donations as an ingredient of corn-soya-milk mixture amounted to 19,000 tons in 1980 and 15,000 tons in 1981.
14. The representative of Japan referred to the data mentioned in the footnote 1 on page 3 of the document DPC/W/21 and informed the Committee that, in addition to that data, the Japanese Government had decided to extend the following food aid of certain milk products in the fiscal year 1981: ¥ 800 million under the World Food Programme to African and Afghan refugees. In terms of value, one half of that aid (¥ 400 million) would be made up of dairy products originating in New Zealand while the remaining half would comprise dairy products produced domestically.
15. The representative of Switzerland said that part of the budget for Switzerland's aid to development was earmarked for food aid in the form of dairy products. In 1980 and 1981 that budget allocation had been approximately Sw F 30 million and would be about the same for 1982. Food aid in the form of whole milk powder had totalled 2,200 tons in 1981 as against 2,300 tons in 1980. Food aid in the form of skimmed milk powder had totalled 700 tons in 1981 as against 1,200 tons in 1980. In addition, small quantities of partly skimmed milk powder (10 to 20 tons) had been delivered in 1981. Food aid in the form of processed cheese had been in the amount of 500 tons in 1981, as in 1980. For 1982, the food aid programme provided for 2,400 tons of whole milk powder, 600 tons of skimmed milk powder and 500 tons of processed cheese. The principal destinations included certain countries in Africa (Sw F 10 million), Latin America (Sw F 2.3 million) and Asia (Sw F 7.7 million). Multilateral aid was furnished mainly in the form of contributions to the World Food Programme and to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (Sw F 5 million).
16. The representative of Austria said that food aid in dairy products under the World Food Programme had amounted to US\$2.25 million in 1981. The quantities involved had been 853 tons of whole milk powder and 140 tons of cheese. For the year 1982, it was planned to make available to the World Food Programme skimmed milk powder, whole milk powder and cheese of a value estimated at US\$ 2.25 million.

17. The observer of Canada informed the Committee that Canadian food aid in the form of skimmed milk powder in the fiscal year 1981-1982 amounted to a total of 7,097 metric tons: contributions under the World Food Programme, bilateral agreements and special programmes amounted respectively to 4,558 tons, 1,411 tons and 1,128 tons.

18. The Committee agreed to transmit to the Council the additional information that had been furnished in the course of the discussions.

Review of the market situation for products covered by the Protocol

19. The representative of Argentina said that imports of both skimmed and whole milk powder had declined while exports of those products had increased in 1981 in relation to 1980.

20. Referring to the communication from Argentina regarding import measures on dairy products adopted by the authorities of that country (DPC/W/13/Add.1), the representative of the EEC noted that according to the Argentine authorities there was no reason to apply minimum import prices for milk powders coming from certain countries, and asked the Argentine representative why the Community countries had not been included among the countries mentioned in the communication.

21. In reply, the representative of Argentina explained that imports of certain dairy products were currently the subject of two separate investigations which had not been initiated simultaneously.

22. The representative of the EEC said that in his delegation's view Community prices were no different from those of the countries mentioned in DPC/W/13/Add.1, and separate investigations constituted serious discrimination by Argentina against the Community. He asked the Argentine representative for treatment similar to that applied to other exporters to be extended likewise to the Community.

23. The representative of Argentina said that he would convey to his authorities the remarks made by the Community representative.

24. The representative of Australia said that in the first six months of the current season (July to December 1981) production of skimmed milk powder and butter milk powder had been 67,608 tons with 6,524 tons being exported. Production of skimmed milk powder for 1982 was forecast to be significantly higher than in 1981 and reach approximately 86,000 tons. He estimated that the world market for skimmed milk powder was flat. Australian dairy industry was concerned over the increasing levels of skimmed milk powder stocks in both the United States and the EEC. With regard to whole milk powder, production in the first six months of the current season (July to December 1981) had been 39,539 tons with 17,137 tons being exported. It was expected that

total production of whole milk powder in the 1981/82 season would reach some 57,000 tons, a decrease of 18 per cent on the preceding season. It was estimated that exports of whole milk powder in the 1981/82 season would total 48,000 tons, a decrease of 4 per cent on 1980/81. Whole milk powder exports were restricted mainly to branded pack sales to traditional markets. He concluded by stating that world demand for whole milk powder was stagnant.

25. The representative of Austria said that skimmed milk powder production had dropped back by about 4 per cent in 1981 to the level of 32,500 tons. Exports had increased considerably in that year reaching 19,900 tons, the principal destination being the Middle Eastern countries. Consumption had reached 21,300 tons in 1981 as against 18,500 tons in 1980, an increase by about 15 per cent. Stocks had fallen substantially between the beginning and the end of 1981. Export prices in that year could be considered satisfactory. With respect to whole milk powder, output had increased in 1981 to 24,100 tons as against 21,100 tons in 1980. Exports had been up in 1981, the main destinations being the Middle Eastern countries. Average export prices in 1981 had been higher than in 1980 and had reached quite a satisfactory level.

26. The representative of Hungary said that skimmed milk powder output in 1981 had been slightly down from the preceding year's level. Domestic consumption, mainly for animal feed, had increased in 1981. As a result of lower production and increased consumption, exports had dropped back sharply in 1981. No significant changes were expected in the production, consumption and stock situation in 1982. With respect to whole milk powder, production had been up by about 10 per cent in 1981 and was exclusively intended for domestic consumption.

27. The representative of Japan said that skimmed milk powder production in 1981 had continued at the preceding year's level of 127,000 tons. Imports in 1981 had been below the preceding year's level. End-year stocks for 1981 had totalled 69,000 tons, equivalent to about six months' domestic consumption.

28. The representative of New Zealand estimated that production of skimmed milk powder would increase slightly in the current 1981/82 season as compared to the preceding season. He pointed out that his country was maintaining its skimmed milk powder export prices at US\$1,060 per metric ton f.a.s. Buying demand had slackened over recent months with some purchasers holding back in the hope of lower prices. As a result, there had been some increase in stocks in New Zealand. However, his delegation believed that buyers would need to replenish their stocks and basic demand was sound. Provided current offer prices from the EEC could be firmed up marginally, present prices would be maintained. With regard to whole milk powder, a slight expansion in output was projected for the 1981/82 season compared with 1980/81 level. Export demand was buoyant and prices had improved steadily in 1981. Over the last quarter of 1981, price levels achieved had been maintained at US\$1,475 to US\$1,500 per metric ton f.a.s.

29. The representative of the United States estimated that skimmed milk powder production would increase by 12 per cent in 1982. He said that stocks of skimmed milk powder held by the Commodity Credit Corporation had increased in the course of 1981 and had continued to develop in early 1982 to a level of 920 million lb. (approximately 417,000 metric tons) at 1 March 1982. He informed the Committee that various means of disposing of surplus stocks were under consideration. However, no decision had yet been taken.

30. The representative of the EEC said that output of skimmed milk powder in 1982 was forecast at about 3.3 per cent over the 1981 level. At 25 March 1982, public stocks had totalled 272,879 tons, slightly below their level at the end of 1981. Export prices had declined by about 5 to 6 per cent since the end of 1981 and were currently in a fork between US\$1,000 and US\$1,020 per ton f.o.b. Sales by other exporters had been reported at prices below US\$1,000 per ton. Although demand had slowed down on international markets, some recovery seemed to be under way. It was difficult to make any forecasts regarding the world market situation because of two major factors: the very high level of United States stocks, and the increase in stocks held by other major exporters such as New Zealand. He asked the United States representative for some information regarding action envisaged for disposal of surplus stocks. In the view of his delegation, depending on United States policy, the international market could continue in 1982 at the preceding year's level. The Community would endeavour to sustain international prices and was currently pursuing a very costly policy to promote internal consumption. Production of whole milk powder was forecast at about 4 per cent up in 1982 in relation to 1981. Export prices had dropped back by about 2 to 5 per cent since the end of 1981. In conclusion, the EEC representative requested all countries participating in the Committee's work to furnish recent information, inter alia, on international prices and stocks, so that the Committee could be better informed on the market situation for the products concerned.

31. The representative of South Africa said that the drop in skimmed milk powder production in 1981 had been supplemented by imports to keep total domestic consumption for the year at the same level as in 1980. Both production and consumption in the first quarter of 1982 were expected to remain at the same level as in the fourth quarter of 1981. It was estimated that some 3,000 tons would be imported during the first quarter of 1982. With regard to whole milk powder, he said that consumption increased by 25 per cent in 1981 over 1980. It was anticipated that production would decrease in the first quarter of 1982. It was estimated that some 1,500 tons would be imported during the first quarter of 1982 to meet local demand.

32. The representative of Finland said that skimmed milk powder production, almost exclusively intended for domestic consumption, had declined slightly in 1981 to 56,000 tons as against 57,000 tons in 1980. There had been no exports of the product in 1981 with the exception of small quantities (about 220 tons) delivered as food aid. The slow decline in output was expected to continue in 1982. As a result of lower milk production, output of whole milk powder had declined by about 4,000 tons in 1981, to the level of 28,000 tons, and a further decrease was expected in 1982 to between 23,000 and 24,000 tons.

33. The representative of Norway said that the skimmed milk powder produced in 1981 had been used exclusively for domestic consumption, any surplus having gone into animal feed.

34. The representative of Sweden said that in 1981 production and consumption of skimmed milk powder had been down from the 1980 level. Following an increase in exports, stocks at the end of 1981 had been at a lower level than at the beginning of the year. With respect to whole milk powder, the output had been exclusively used for domestic consumption. Stocks were nil. Output of milk powders was likely to be up in 1982 because of the expected increase in milk production.

35. The representative of Switzerland said that production of skimmed milk powder in 1982 was forecast as remaining stable or being slightly up in relation to 1981. Exports were forecast as remaining low and domestic consumption was expected to continue stable in 1982 in relation to 1981. Output of whole milk powder was likely to remain stable in 1982, while consumption could continue at the 1981 level or increase slightly.

36. The representative of Uruguay said that output of skimmed milk powder had remained stable in 1981. Consumption had increased substantially while exports had dropped back sharply in 1981. With respect to whole milk powder, both production and consumption had increased considerably in 1981 while exports had dropped back.

37. The observer for Canada said that production and domestic consumption of skimmed milk powder had increased in 1981, while exports had remained virtually stationary. Stocks had increased considerably between the beginning and the end of 1981. An increase in production was likely in 1982. In January 1982, export prices had been at a level slightly above US\$1,000 per ton.

38. The Committee decided to give special attention at its next session to the question of trends in consumption of skimmed milk powder. To facilitate the discussion, the secretariat will include in the summary tables a table showing skimmed milk powder consumption in the countries or group of countries replying to the questionnaire.

Other business

Communications from the Permanent Mission of Hungary (DPC/P/W/5 and Add.1)

39. The Committee continued its examination of the Hungarian request for the processes and control measures described in document DPC/P/W/5 to be approved and included in the register of processes and control measures under Article 3:5 of the Protocol. At the Committee's preceding session, some additional information had been requested from the Hungarian delegation which had furnished a second communication circulated as document DPC/P/W/5/Add.1.

40. The representative of Hungary said that his delegation had presented to the Committee the Ministerial Decree reproduced in document DPC/P/W/5. In response to the request by some delegations at the previous session, his delegation had also presented supplementary information reproduced in document DPC/P/W/5/Add.1 describing the methods applied to prepare animal feeding stuffs with skimmed milk powder. He hoped that the Committee would take a positive decision with regard to the request presented by his country.

41. The representative of the EEC thanked the Hungarian delegation for the additional information circulated in document DPC/P/W/5/Add.1. That document, dated 17 March 1982, had been received with some delay by his authorities which had not yet been able to study it in detail having regard to its technical character. As a result his delegation was not in a position to give an opinion at the current session. He suggested that the Committee revert to the Hungarian request at its next session.

42. The representative of New Zealand thanked the delegation of Hungary for having provided additional information. Participants whose processes and control measures had already been included in the register had defined in detail the denaturing processes they intended to apply. Additional details regarding the proposed processes and control measures would be useful, particularly in connection with Section 4, paragraphs 3 and 5 of document DPC/P/W/5.

43. The Committee noted that more time was needed for detailed study of the Hungarian request and agreed to revert to the matter at its next session.

Report to the Council

44. The Committee agreed that an oral report would be made to the Council on the discussion on the current session.

Date of next session

45. Under the preliminary calendar, the Committees were to hold their next sessions from 21 to 23 June 1982. It has been decided that the Committees will hold their tenth sessions consecutively on 21 and 22 June and, if necessary, 23 June 1982, subject to confirmation by the secretariat. The session of the Protocol Regarding Certain Cheeses will take place on 21 June 1982, followed by the session of the Protocol Regarding Milk Fat and then the session of the Protocol Regarding Certain Milk Powders.