

This draft report will be submitted for adoption to the Committee of the Protocol Regarding Milk Fat at its fifteenth session. The list of participants and observers is annexed.

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

FOURTEENTH SESSION

Draft Report

Introduction

1. The Committee of the Protocol Regarding Milk Fat held its fourteenth session on 28 June 1983.

Adoption of the agenda

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

Adoption of report on the thirteenth session

3. The Committee adopted the report on its thirteenth session with an amendment communicated by the Australian representative. The report will be distributed as DPC/F/19.

Information required by the Committee

(a) Replies to Questionnaire 2

4. The Committee reviewed the replies to Questionnaire 2 and requested members who had not yet communicated information in respect of the first quarter of 1983 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 2 relating to the second quarter of 1983 should reach the secretariat not later than 15 September 1983.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/F/W/1/Rev.13) prepared under Rule 28 of the Rules of Procedure and covering the information furnished in Tables A and B of Questionnaire 2 regarding anhydrous milk fat and butter. The Committee took note of document DPC/F/W/1/Rev.13.

(c) Other information

6. No other information was requested.

Review of the market situation for products covered by the Protocol

7. The representative of Australia estimated that total butter production might reach some 85,000 tons in 1983. It was anticipated that market pressures in the international cheese market would force some reduction in the production of leviabile cheeses with the consequence that milk fat might be diverted into the production of butter and skimmed milk powder. The

forecasts for the 1982/83 production of butter had been revised slightly upwards from the previous forecasts and export availabilities were likely to be slightly above the previous estimate of 25,000 tons. Quotations in the international market for butter were generally in the range of US\$1,850 to US\$1,950 per ton f.o.b. but these price levels were weakening.

8. The representative of Argentina said that in 1982 butter output had risen 15 per cent while consumption had remained stable. In the first quarter of 1983, exports had increased steeply to reach 5,700 tons, as against 400 tons in the first quarter of 1982, the principal destinations being the USSR and Morocco. Prices of exports to the latter destination had been slightly below US\$1,800 per ton f.o.b.

9. The representative of the EEC said that butter production, which had increased by 7.6 per cent in 1982, could rise further by around 9.4 per cent in 1983. Butter exports were declining. The situation in regard to butter stocks was beginning to cause concern. At 16 June 1983, public stocks of butter had stood at 463,893 tons, and on the same date private stocks had been at the level of 84,454 tons. The Community was making a special effort to dispose of butter at reduced prices on the internal market. In that context, 7,000 tons were to be sold in 1983 to armed forces and assimilated units; sales to non-profit-making associations could reach 30,000 tons; sales for the manufacture of pastry-cooks' and bakers' products should reach 140,000 tons; lastly, 40,000 tons could be sold to ice-cream manufacturers; sales of concentrated cooking butter could total 5,000 tons. In addition, an aid designed to reduce the retail price of butter was operating in certain member States. Consumption was estimated at 175,000 tons in the United Kingdom, 38,000 tons in Denmark, 45,000 tons in Ireland and 4,000 tons in Luxembourg. It was estimated that in the context of those measures to encourage disposal, some 488,000 tons would be sold at reduced prices in 1983. Commercial exports of butter were forecast at around 252,000 tons in 1983; commercial exports of butter-oil, expressed in terms of butter

equivalent, were estimated at around 93,000 tons, while food aid was forecast at 44,000 tons, in terms of butter equivalent. Accordingly, total exports of butter and butter-oil, expressed in terms of butter equivalent, would probably be around 389,000 tons in 1983. Export prices were currently between US\$1,785 and US\$1,850 for butter and between US\$2,000 and US\$2,050 for butter-oil.

10. The representative of Uruguay said that butter exports had increased in the first quarter of 1983, the principal destination being the USSR. Under an agreement signed with Iran, a range of products were to be sold against petroleum purchases. The products to be sold by Uruguay included 3,500 tons of butter. Average export prices were currently around US\$2,008 per ton f.o.b.

11. The representative of the United States said that uncommitted inventories of butter held by the Commodity Credit Corporation had been at the level of 214,000 tons at 17 June 1983 as compared to 206,000 tons at 18 June 1982. They were projected to be around 230,000 tons at 30 September 1983. International prices of butter, which had been in the vicinity of US\$2,000 to US\$2,050 per ton f.o.b. in autumn 1982, seemed to have been fluctuating between US\$1,800 and US\$1,850 per ton f.o.b. in spring 1983. The representative of the United States furnished the following information on the domestic distribution programmes of butter (in metric tons).

	<u>1 October 1981 -</u> <u>30 September 1982</u>	<u>1 October 1982 -</u> <u>30 September 1983</u> (forecast)
School lunch	44,226	37,194
Military	7,484	Negligible
Prisons	952	453
Special distribution for needy	9,072	14,174

12. The representative of Switzerland said that following the increase in the base price for milk, retail prices of butter would increase by 50 to 80 centimes per kg. as from 1 July 1983, a smaller increase than in the preceding year. The authorities had endeavoured in 1983 not to adjust the charges applied on vegetable fats and oils. Taking into account the fact that the price of margarine was unchanged, butter consumption was expected to decline by about 5 per cent in 1983, while butter imports could drop back by about 20 per cent.

13. The representative of Sweden said that butter production had increased by 10 per cent in 1982 and the trend could continue in 1983. Domestic consumption of butter and butter mixtures had increased by about 10 per cent so far this year. This development was mainly due to changed consumption patterns, improved marketing and relatively low butter prices. Exports were forecast to reach 16,000 to 18,000 tons in 1983. Export prices had dropped in the first half of 1983 and especially in the second quarter of that year. Average export prices had been in the vicinity of US\$1,800 per ton f.o.b. in June 1983.

14. The representative of Norway said that butter output in 1982 had been 7 per cent over the preceding year's level. Per capita consumption had increased in 1982 to 4.7 kg., as against 4.6 kg. in 1981. Exports were expected to show an increase in 1983 to around 5,500 tons, as against 3,580 tons exported in 1982. International butter prices were currently declining.

15. The representative of Finland said that following increased deliveries of milk to dairies, butter output was currently rising. It was expected that domestic consumption would remain stable in 1983 as compared to 1982. Exports of butter had fallen off sharply in 1982 to the level of 8,000 tons, as against 15,000 tons exported in 1981. At the end of the first quarter of 1983, stocks had been twice as large as one year earlier. Taking into account the increase in milk production and the high level of stocks, some 25,000 tons of butter exports were planned in 1983, the

principal destination being the USSR. Average export prices in the first quarter of 1983 had been in the vicinity of US\$2,084 per ton f.o.b.

16. The representative of South Africa said that butter consumption could decline, while that of yellow margarine was on an upward trend.

17. The representative of Romania indicated that butter output could increase in 1983 to around 49,000 tons as against 37,700 tons in 1982. The output was mainly intended for domestic consumption, which was increasing steadily. Butter consumption was forecast to reach 2.5 kg. per capita in 1985.

18. The representative of Poland said that butter production, which had remained relatively stable in 1981 and 1982 at around 220,000 tons, could increase in 1983 to some 250,000 tons. Per capita consumption of butter had declined from 7 kg. in 1981 to 6 kg. in 1982; in 1983, however, consumption was showing some increase. The upward trend could well continue, in particular because rationing had been withdrawn.

19. The representative of New Zealand said that stock levels of butter were internationally significantly higher than they had been for many years. Surplus stocks of butter in the United States and the EEC were continuing to grow as a result of increased production and stagnant domestic demand. Butter stocks were also higher than normal in Canada. Through the first quarter of 1983, international prices had been in a band of US\$1,900 to US\$2,200 per metric ton f.o.b. for butter and US\$2,100 to US\$2,400 per ton f.o.b. for anhydrous milk fat. During the second quarter of 1983, prices had fallen to US\$1,800 to US\$1,900 range per ton f.o.b. for butter and US\$1,900 to US\$2,000 for anhydrous milk fat.

20. The representative of Japan said that domestic consumption of butter in 1982 had been about 4 per cent above the preceding year's level. Consumption of butter increased steadily in the sixties and in the seventies. However, it was expected that in the eighties the rate of increase would be lower.

21. The observer for Canada estimated that the level of butter stocks at 31 July 1983 would show no change in relation to their level at the end of the first quarter of 1983, i.e. some 34,000 tons.

Other business

Adoption of report to the Council

22. In accordance with 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 work at the Committee's fourteenth session, will be circulated as document DPC/F/20.

Special meeting

23. As agreed at the December 1982 sessions, a special meeting will be held on the occasion of the September 1983 sessions of the committees, to examine government measures to expand domestic consumption of dairy products (DPC/P/W/11, DPC/F/W/10, DPC/C/W/10 and addenda thereto).

Date of next session

24. In accordance with the preliminary calendar, it has been decided that the committees will hold their fifteenth sessions consecutively on 26, 27 and 28 September 1983, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Milk Fat will be followed by the session of the Committee of the Protocol Regarding Certain Milk Powders and then the session of the Committee of the Protocol Regarding Certain Cheeses.

ANNEX/ANNEXE/ANEXO

LIST OF REPRESENTATIVES - LISTE DES REPRESENTANTS -
LISTA DE REPRESENTANTES

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