

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL

ELEVENTH SESSION

Draft Report

Chairman: Mr. D. Greenfield

1. The International Dairy Products Council held its eleventh session on 28 September 1984.
2. The Council adopted the following agenda:
 - A. Admission of observers under Rules 11 and 14 of the Rules of Procedure
 - B. Review of the functioning of the Arrangement
 - C. Evaluation of the situation in and outlook for the world market for dairy products
 - D. Report to the CONTRACTING PARTIES
 - E. Other business.
- A. Admission of observers under Rules 11 and 14 of the Rules of Procedure
3. In pursuance of Rule 11 of the Rules of Procedure and as at earlier sessions, the Council invited representatives of Mexico and Panama to follow the discussions at the current session as observers.

4. In accordance with Rule 14 of the Rules of Procedure and as at earlier sessions, the Council was informed that OECD, UNCTAD, FAO and the Economic Commission for Europe had been asked to indicate the agenda items on which they wished to attend the discussion and invited representatives of those organizations to follow the discussions at the current session as observers.

5. In accordance with Article VII:1(e)(ii) of the Arrangement and Rule 14 of the Rules of Procedure, the Council agreed that representatives of those four organizations would henceforth be invited to follow, with observer status, not only the work of the Council but also that of the Committees that administer the Protocols. It also agreed, in order to simplify the procedure regarding those invitations, that the latter would in future be of a permanent character, it being understood that participants in the Arrangement could decide, whenever they deemed it preferable, to hold their discussions without the presence of those observers.

B. Review of the functioning of the Arrangement

Report on the eighteenth and nineteenth sessions of the Committees of the Protocols

6. The Council had before it reports by the Committee of the Protocol Regarding Certain Milk Powders, the Committee of the Protocol Regarding Milk Fat and the Committee of the Protocol Regarding Certain Cheeses on their eighteenth sessions, circulated as documents DPC/P/28, DPC/F/28 and DPC/C/28 respectively. An oral report was made by the Chairman of the Committees on their nineteenth sessions, held consecutively on 24, 25 and 26 September 1984 as well as on the joint meeting held on 21 June 1984.

7. In that report, it was noted that the Committees had examined replies to the questionnaires and the summary tables. With a view to simplifying presentation of the questionnaires, they had agreed that the quarterly replies would in future be circulated in the form of photocopies and not as

documents. The summary tables circulated before sessions of the Committees would be revised and circulated again after the sessions. The hope had been expressed that the questionnaires would be simplified as far as possible and harmonized with the other questionnaires to which participants were asked to reply.

8. The Committees had reviewed the market situation of products covered by each of the Protocols. The Committee of the Protocol Regarding Certain Cheeses had noted that cheese production seemed to have progressed in 1983 slightly more slowly than in the previous year. Output seemed likely to increase in 1984, at the same, or a higher, rate as in 1983. International trade, which had remained active overall in 1982, had tended to slow down in 1983. Nevertheless, according to replies to the questionnaire, exports seemed to have developed very appreciably in the first six months of 1984. Overall consumption had continued to develop in 1983 and the trend seemed to have continued in the first half of 1984. At 1 July 1984, cheese stocks in most of the principal producing countries had been higher than one year earlier. In the United States, however, stocks were expected to show a pronounced decline at the end of 1984, a situation that could then be reflected in a reduction of aggregate stocks, for the first time in several years. Prices of cheese varied considerably according to variety and markets. After a substantial decline, prices of Cheddar cheese seemed to have levelled off somewhat in the second quarter of 1984 at between US\$1,150 to US\$1,300 per ton f.o.b. and seemed to have remained relatively stable in the third quarter, fluctuating between US\$1,150 and US\$1,250 per ton f.o.b. toward the end of September. That slight decline could be attributed to appreciation of the US dollar. The Committee had taken note of notifications by Australia and New Zealand regarding sales under Article 7:2 of the Protocol and had been informed of transactions carried out in that connection.

9. The Committee of the Protocol Regarding Milk Fat had noted that butter output had increased in 1983 at a rapid rate that could be expected to slow down considerably in 1984. As in 1982, international trade in butter had

slowed down in 1983 because of weak demand. In the first six months of 1984, the major exporters had nevertheless increased their deliveries. Consumption of butter seemed to have progressed in 1983 and could continue to develop in 1984, due in particular to numerous promotion measures. At 1 July 1984, aggregate stocks of butter had been well above their level one year earlier, the increase having been particularly pronounced in the EEC. In the United States, however, stocks had declined. Notwithstanding a recent slight decline in Community stocks which could continue, total stocks at the end of 1984 could be expected to be larger than at the beginning of the year. Concern was being felt over the effects on the world market situation of the volume of those stocks and the problems of their disposal. International prices of butter varied according to the supplier, market and terms of sale. They had continued to weaken in 1983 and in early 1984. During the second quarter of the year, prices seemed to have levelled off around US\$1,540 to US\$1,600 per ton f.o.b. but offers and sales had been reported at prices between US\$1,350 and US\$1,550 per ton f.o.b. In the third quarter of the year, prices had weakened and the bracket within which they were fluctuating had broadened considerably. In general, butter sales seemed to be in the vicinity of US\$1,400 to US\$1,450 per ton f.o.b. Special sales of intervention butter by the EEC could be at lower prices, but not less than US\$1,270 per ton f.o.b. Other prices had also been mentioned that had been close to - or even at - the level of the minimum price for bulk butter, in particular salted butter. With respect to anhydrous milk fat, output in the EEC had increased in 1983 and the first six months of 1984; a pronounced rise in production had been recorded in New Zealand. EEC exports, which had increased in 1983, had continued to develop more rapidly in the first six months of 1984. After having remained relatively stable in 1983, exports by New Zealand had increased in the first half of 1984. International prices of anhydrous milk fat had weakened throughout 1983 and the beginning of 1984. In the second quarter they seemed to have been levelling off at between US\$1,700 and US\$1,800 per ton f.o.b. In the third quarter, prices of butter oil were believed to have declined to between US\$1,650 and US\$1,750 per ton f.o.b. Sales had nevertheless been reported at a lower price (US\$1,550

per ton f.o.b.). For special sales of ghee by the EEC, prices might have been between US\$1,480 and US\$1,490 per ton f.o.b.

10. The Committee of the Protocol Regarding Certain Milk Powders had noted that output of skimmed milk powder had increased in 1983 more rapidly than in the preceding year. In 1984 production by participants seemed to be following varying trends. Nevertheless, the overall production increase in 1984 would probably be much slower than in 1983. According to provisional data available to the secretariat, total exports of skimmed milk powder (including food aid) seemed to have increased slightly in 1983 after two years of decline. In the first six months of 1984, exports had continued to rise, inter alia because of increased food-aid deliveries. For the year 1984 as a whole, the slight recovery of international trade recorded in 1983 could continue and even become more pronounced. Apparent consumption of skimmed milk powder was believed to have progressed in 1983 more rapidly than in 1982. That trend seemed to have been essentially due to a consumption increase in the United States and the EEC where several promotion programmes were being implemented. Varying trends seemed to have been noted in 1984. In the EEC, internal consumption had continued to rise in the first half of 1984. The increase in world output of skimmed milk powder had been reflected in a considerable rise in stocks in the course of 1983. Those stocks had continued to develop in 1984 though at a much slower rate. International prices of skimmed milk powder for human consumption had been in a bracket between US\$700 and US\$760 per ton f.o.b. at the end of the first quarter of 1984. These prices had remained relatively stable in the second quarter of 1984, fluctuating between US\$690 and US\$760 per ton f.o.b. Some sales of skimmed milk powder for animal feed had nevertheless been noted at lower prices. In the third quarter of the year, prices of skimmed milk powder had declined slightly to a bracket between US\$640 to US\$720 per ton f.o.b.; the prices at the lower end of the bracket had been those of skimmed milk powder for animal feed. With respect to whole milk powder production, a slight increase in 1982 had been followed by a decline in 1983. According to provisional data available to the secretariat, production which was closely tied to demand seemed to have

rallied in the first half of 1984. The slowing trend in international trade noted in 1982 had become more pronounced in 1983 when the market for whole milk powder had been characterized by instability and weak demand. Exports had revived, however, in the first six months of 1984. International prices of whole milk powder had weakened in 1983 and the first quarter of 1984. They seemed to have remained relatively stable during the second quarter of 1984, fluctuating between US\$970 and US\$1,100 per ton f.o.b. During the third quarter, they had weakened slightly, in particular because of appreciation of the US dollar, and toward the end of September had been fluctuating between US\$950 and US\$1,050 per ton f.o.b.

11. After having examined the action needed in respect of the register of processes and control measures, which included processes and control measures of countries not participants in the Arrangement, the Committee of the Protocol Regarding Certain Milk Powders had adopted a decision under which the processes and control measures applicable by countries not participants in the Arrangement, and which were included in the register, (Annex I(c) to the Arrangement) would be considered acceptable for the purposes of the Protocol if the said countries undertook to inform the Committee of any change that might be made in their processes and control measures or in the modalities for their application. The Committee had noted that Spain had already communicated such an undertaking, and that a communication was expected from Canada in the near future. The text of the decision of 25 September 1984 was to be circulated as DPC/P/30, to which the communications from Spain and Canada were to be annexed.

12. The Committees had reviewed the minimum prices (or minimum price) of the products covered by each of the Protocols on the basis of the criteria set by the Arrangement. Several factors that would justify an increase in the minimum prices had been mentioned by certain delegations, in particular costs borne by producers. The Committees had considered nevertheless that having regard to other factors, in particular the market situation and monetary fluctuations, it was not appropriate to modify the minimum prices for the moment. Those prices had therefore remained unchanged.

13. The Committee of the Protocol Regarding Milk Fat had expressed concern over the level of recorded prices and their diversity. The Committee of the Protocol Regarding Certain Milk Powders had also expressed concern over the level of prices of whole milk powder. Those two Committees had not deemed it necessary at present to take action under Article 4 of the Protocols, but had considered that the utmost vigilance was necessary and that they should have the most detailed information possible regarding sales at or close to the level of the minimum prices and action taken to ensure observance of those prices.

14. The Committees had had before them a communication from Australia, circulated as document DPC/P/W/20, DPC/F/W/14, DPC/C/W/19, regarding an aspect of observance of the Arrangement's minimum price provisions with respect to tenders requiring quotations other than in United States dollars. The communication had been made with a view to clarification of the situation and in the view of Australia, with which certain delegations had concurred, that country's proposal would assist in strengthening the operation of the Arrangement. The Committees had recognized that the problem was serious and had thanked Australia for having drawn attention to it. Certain delegations had nevertheless expressed misgivings as to the possible consequences of an interpretation of the Arrangement's provisions under which an exporter would be required to observe International Dairy Arrangement minimum prices on the basis of the United States dollar exchange rate (from the currency in which the offer was presented) applying in the exporter's country (customs territory) on the day of submission of the final offer for a tender. The possibility of such an interpretation being used to create abuses of the Arrangement or being used in a manner not readily verifiable had been mentioned. Reference had been made to the provisions of the Protocols and in particular those of Article 3:1 of each of the Protocols under which participants undertook to take the steps necessary to ensure that export prices of the products defined were not less than the minimum prices. The importance of strict observance of those provisions had been reaffirmed and participants had been urged to do their utmost to ensure it. In the event that, because of unforeseen exchange

rate fluctuations, the fixing of an offer price in national currency would result in a selling price lower than the minimum price, the Committee concerned should be informed as soon as possible of all details of the transaction. The Committees had agreed to keep the matter on the agenda for their next sessions.

15. On 21 June 1984 the Committees had held a joint meeting to pursue the survey of government measures to expand domestic consumption of dairy products. They had agreed to continue to review the question of consumption.

16. The next sessions of the Committees were to be on 17, 18 and 19 December 1984, subject to confirmation by the secretariat.

17. With reference to the question of observance of minimum prices in the case of tenders requiring quotations other than in United States dollars, the representative of Australia noted that the conclusion arrived at by the Committees offered the desired flexibility. That conclusion was based on the fact that any interpretation of the Arrangement must be linked to the commitment by participants to take the steps necessary to ensure observance of the minimum prices at all times, and adequate overseeing should ensure proper operation of the system. Nevertheless, while there were no doubts as to the validity of commitments undertaken by participants, questions could arise as to the degree of uniformity of the steps taken to ensure observance of the minimum prices. It would be useful if participants kept the secretariat informed of measures currently in force so that at all times participants could have a clear view of the situation and be on an equal footing. While the conclusions reached by the Committees did not lay down rigid guidelines, one could hope that the flexibility it afforded would prove adequate.

18. The representative of the European Economic Community said that the solution adopted was a pragmatic one. In his experience, pragmatism was the best guarantee of the applicability and application of any system.

Transparency was characteristic of the Community rules and measures, since they were published in the Official Journal of the Communities; in addition, the Community replied to the questionnaires and was prepared at every meeting to give any additional explanations that might be requested.

19. The Chairman noted that the simple and pragmatic solution arrived at by the Committees should serve to deal with the problem. Referring to the Australian representative's suggestion regarding information on measures to ensure observance of the minimum price, he said that the question concerned not the uniformity of the measures applied but the degree to which they were effective and suggested that when replying to questionnaire 5, participants might indicate the measures currently applied by them.

20. The Council took note of the reports of the Committees and the comments made.

Replies to questionnaires 4 and 5

21. The Council took note of the information furnished under questionnaires 4 and 5 and invited participants to communicate to the secretariat as soon as possible the replies to those questionnaires which they were required to submit under Rule 23 of the Rules of Procedure. While recognizing the difficulties that some countries might encounter in preparing the replies, it urged participants which had not yet communicated the information required to make every effort to comply with that provision of the Rules of Procedure.

Proposal by New Zealand

22. The Chairman recalled that at the March session, New Zealand had proposed that the participants review the extent of market imbalance. It had been agreed that the Council would revert to the matter at its September session. In the meantime, New Zealand had presented a written proposal (DPC/W/39) concerning an information exchange on government

policies and programmes currently being applied to maintain or improve domestic market balance.

23. The representative of New Zealand explained that the proposal was that at the March session, time should be set aside for a detailed description and evaluation of programmes currently being implemented by participants. Such an exercise would be useful and timely since, inter alia, it would afford information on the results of measures applied in the United States and the EEC and allow an exchange of information on past experience. Some information had already been furnished and should be presented in the discussion in a global and coherent manner.

24. The representative of the United States, while supporting the proposal and indicating that he would try to arrange for an expert to be present, noted that the fragmentary character of information furnished, in particular at sessions of the Committees, underlined the need to organize work in that area in order to make most effective use of the time available.

25. The representative of Australia supported the New Zealand proposal; such a discussion would be useful and could prove more fruitful than presentation of written documentation, provided it was adequately prepared. Having regard to the influence of stocks on the market situation, he proposed that stock operations and mechanisms should likewise be considered from an informative aspect, not with a view to criticism.

26. The representative of the European Economic Community noted that exchange of information was essential for management of the international market and the EEC had always shown its spirit of co-operation. It was, therefore, ready to participate in the proposed verbal exchange of information, which would have to be properly balanced.

27. The representative of New Zealand expressed his appreciation of reactions to his delegation's proposal, underlining the importance of a

balanced discussion and hence the need for delegations to prepare it. Referring to the Australian representative's suggestion regarding stock operations, he recalled that the discussion should focus on the balance between supply and demand and experience of participants in that area. The exchange of information would be informal and the subjects covered could not be determined in advance.

28. The representative of Japan said that since his authorities had not had time to consider the proposal, he could not indicate their reaction. Information was normally furnished in reply to questionnaire 5 and additional indications on measures to promote consumption had already been communicated.

29. The Chairman said that information was indeed available in replies to questionnaire 5 and in communications in the context of the study of measures to promote consumption. He noted that participants were in agreement that at the March meeting of the Council time should be set aside to focus particular attention on the subject of market stability and for an exchange of information and experience on current government policies and measures aimed at maintaining or improving the balance between supply and demand in their domestic dairy markets. During the consideration of that agenda item, it would be important for the discussion to be balanced in respect of both participation and the information furnished.

C. Evaluation of the situation in and outlook for the world market for dairy products

30. Opening the discussion on that agenda item, the Chairman said that the evaluation should cover a number of issues such as dairy policies, transactions other than normal commercial transactions, and products not covered by the Protocols. The Council had before it two documents prepared by the secretariat, one a status report on the world market for dairy products (DPC/W/37) and the other a note on food-aid operations relating to

dairy products (DPC/W/38). The status report on the world market for dairy products will be revised by the secretariat in the light of the discussions and taking account of any amendments and updates communicated by delegations, and will then be given general distribution.

General situation and outlook - dairy policies

31. The representative of New Zealand said that he was encouraged by the fact that decisions had been made in many countries to diminish milk production, particularly in the EEC and in the United States. These decisions have begun to reverse the trend toward over-production which derived from previous, stimulative, policies. He informed the Council that the system of price supplementation (Supplementary Minimum Price Scheme) in New Zealand had been completely withdrawn. As regards export policy the New Zealand representative indicated that it was obviously tempting for countries, with large surpluses of dairy products, to dispose of these surpluses on world markets at low prices. There are, however, a number of inherent dangers in such an export policy: firstly, it would lead to tension amongst major dairy producing countries; secondly, it could lead some importing countries to believe that the GATT minimum prices would not hold, and it is absolutely vital that they do hold. The New Zealand delegate re-expressed his country's concern with the recent decision by the EEC to sell, at discounted prices, butter of more than six months of age. He believed that the effect of the sale would be to lower world butter prices practically to the GATT minimum. He felt that the EEC should investigate more closely the scope for disposing of milk fat on its domestic market. As regards the United States, the New Zealand delegate expressed his concern with the size of prospective United States exports of skim milk powder. Forecasts for 1985 indicate a further increase of 45,000 tons, which would account for a significant part of world trade and would place pressure on commercial trade. The United States must take particular care not to destabilize the international market. The delegate also wondered if the United States had explored all possible avenues for disposing of surplus skim milk powder on its domestic market.

32. The Australian delegate said that he was fearful at times of the possible consequences of surplus disposal. In particular he foresaw the possibility that a situation of long-term surpluses, where prices were held at or near the minima, could lead to implicit market sharing. In effect if all countries are constrained to respecting the price minima, differentials amongst transportation costs, insurance, etc. would mean that exporters will simply be excluded from certain markets. Therefore, the objective should be to keep prices somewhat above the minima in order to maintain competition. One helpful effort in this regard would be to maintain the maximum amount of order in surplus disposal. Helpful in this regard would be consultations especially before a major sale. The Australian delegation told the Council that a comprehensive review of Australian dairy policy was currently under way. The primary reason for the review is that, at current levels of production, returns on the export market are insufficiently remunerative. The Council was also informed that the underwriting prices for the Australian dairy industry had decreased significantly as from 1 July 1984.

33. The representative of Finland said that under the two-price scheme to be introduced at the beginning of 1985, each dairy farm could produce at least 30,000 litres of milk each year for which the full producer price would be paid. The volume of the quotas had not yet been fixed. The quota system was expected to check expansion of milk output but not to result in any reduction of production during the first year of application.

34. The observer for Canada informed the Council that effective 1 August the prices for industrial milk and cream in Canada were increased by the maximum allowable under the current price control guidelines for federal government agencies, namely by 4 per cent. In fact, however, because of certain subsidy elements in the Canadian milk price support system, the price increase to producers would be somewhat less than 4 per cent. He also informed the Council that the production of some dairy products was increasing more rapidly than had been foreseen. He suggested that the

situation (including milk production quotas) could be re-evaluated later this year or early next year.

35. The observer for the Economic Commission for Europe said that cow numbers in Eastern Europe at the beginning of 1984 were about 0.2 per cent above the year-earlier level. In July 1984, cow numbers in the USSR were unchanged from year-earlier at 30 million head. Present information would suggest that Eastern European milk production could increase by 3-4 per cent in 1984 (following a 5 per cent increase in 1983). He also estimated that the USSR's milk production could increase by 3-4 per cent (after a 6 per cent increase in 1983). This slowdown in growth was due primarily to the stagnation of dairy herds and to a deteriorating feed situation. In 1983 butter production rose by 10 per cent in Eastern Europe and by 13 per cent in the USSR. For 1984 butter production could rise by 2-3 per cent in Eastern Europe and by 4-5 per cent in the USSR. As regards the USSR's imports of dairy products, the ECE observer reported that in 1983 butter imports had increased by 34 per cent and cheese imports by 32 per cent, while milk powder imports decreased by 48 per cent. In 1983 the USSR's exports of butter increased by 14 per cent, exports of cheese increased by 47 per cent, and condensed milk exports increased by 4 per cent. The observer stated that the level of the USSR's butter imports in 1984 would be heavily influenced by the amount of butter made available to it on a "cut-price" basis or on other special bases. Presuming that no such sales were made it could be possible that Soviet butter imports would decrease by 16-26 per cent in 1984.

Transactions other than normal commercial transactions

36. The Chairman recalled that at its March session the Council had agreed to include in the agenda for the current session not only food aid but also all concessional transactions, whose effects on the international trade situation had been referred to on numerous occasions.

37. The representative of the European Economic Community noted that in March he had already drawn attention to concern over non-commercial transactions in the dairy sector, in particular transactions carried out by the United States. Such transactions should be the subject of prior discussion in the Consultative Sub-Committee on Surplus Disposal, with particular reference to their possible effects on normal trade flows. The consultations that had taken place on dairy products had not been satisfactory, however. Since the Council was particularly concerned with international trade in those products, participants might feel that such transactions should be notified to it in advance so as to give participants an opportunity to indicate any adverse effects on their normal trade.

38. The Chairman drew the attention of participants to Article V of the Arrangement and in particular paragraphs 2 and 3 thereof, as well as to Rule 25 of the Rules of Procedure. The proposal of a general nature that had just been made fell within the context of those provisions.

39. The delegate of the United States stated that he believed that the proper place for in-depth discussion of these types of sales was in the FAO Committee on Surplus Disposal. The United States was ready to discuss such subjects in the Council or in the Protocol Committees if necessary, however, his delegation did not think it appropriate to hold special discussion of such sales as was proposed. The representative of the United States restated his opinion that the proposal went beyond the terms of the Arrangement.

40. The New Zealand delegation said that the EEC suggestion was not an onerous one for them since New Zealand did not provide dairy food aid. While he noted that the Sub-Committee on Surplus Disposal at the FAO had not been working as well as it should, he thought that it was necessary to make it function. CSD was the proper place for such subjects to be discussed and the Council should not take over the functions which currently exist there.

41. The Australian delegate said that he believed that notifications should be made under the Arrangement as well as in the Committee on Surplus Disposal. Inter alia, it is not clear that CSD covers all transactions. Therefore, the Council and the CSD could profitably operate in tandem.

42. The representative of the European Economic Community said that in his view participants should provide the Council with the relevant elements that would allow it to judge whether or not the transactions concerned should be discussed. The only provision on the subject in the Arrangement was in the context of Article V:3 which stated that, upon request, the Council would examine such transactions. To be able to decide whether such an examination was necessary, it was therefore appropriate for participants to be informed of the relevant transactions. The EEC representative recalled the difficulties encountered by the United States in notifying its sales of dairy products to Egypt, and underlined that United States sales under PL 480 and Section 16 should be notified regularly. The question of establishing a permanent body or deciding that the matter should be the subject of continuing discussions could be envisaged later; the matter should in any case be kept on the Council's agenda.

43. The representative of the United States said that the sale made by the United States to Egypt had been discussed both in the Council and in the CSD. The United States maintains that the sale was a commercial one and, therefore, the United States had in fact not been required to notify the sale to CSD. He felt that it would be inappropriate to duplicate the CSD's work in the Council.

44. The delegate of Australia recalled the problem of distinguishing between commercial and "grey-area" sales, and requested that all major sales of this nature be notified to the Council, preferably in advance of the sale.

45. The Council agreed that the question of transactions other than commercial transactions, including food aid, would be kept on the agenda for its sessions.

Products not covered by the protocols

46. The representative of the European Economic Community said that according to forecasts, the dairy herd at the end of 1984 would be 3.2 per cent below the preceding year's level. Output of cows' milk in 1984 would be 1.6 per cent below the 1983 level and a further decline by 1.7 per cent was expected in 1985 when the dairy herd would decrease by a further 2.1 per cent. Deliveries to dairies in 1984 would probably be 2.1 per cent below the 1983 level, and a further decline by 2.5 per cent was expected in 1985. Deliveries of milk intended for the manufacture of liquid products (fresh milk, cream, yoghurt, milk-based desserts etc.) - in terms of whole-milk equivalent - would increase by 0.8 per cent in 1984 and a further 0.8 per cent in 1985. Output of condensed milk, after having declined by 8 per cent in 1983, would show an increase by 1.3 per cent in 1984 and should remain at the same level in 1985 because of increased utilization of skimmed milk powder, butter oil, and possibly vegetable fats for the manufacture of recombined or filled milk. Output of casein had shown a spectacular increase in 1982 and 1983 (by 26 and 13 per cent respectively) but had progressed by only 6.8 per cent in 1984 and was forecast to increase by 2.6 per cent only in 1985. With respect to consumption, and taking account of surpluses, it seemed desirable for consumption of fresh products (products that give the best return on milk output) to be boosted further. Nevertheless, despite various measures taken in the context of utilization of co-responsibility funds, food habits and the already high level of consumption made any increase difficult. Those measures were nevertheless being maintained, together with measures to dispose of Community surpluses.

47. The delegate of Sweden reported that deliveries to dairies during the first six months of 1984 increased by 1.4 per cent. Moreover, deliveries increased by 3.3 per cent in August, a figure explained by the fact that deliveries in August 1983 had been low. For all of 1984, total deliveries were forecast to increase by 2.0 per cent.

48. The delegate of Australia indicated that Australia was concerned by measures being considered in the United States which would restrict the importation of casein. He wished to know the status of this legislation.

49. The representative of the United States said that it was his understanding that the legislation being considered no longer made reference to casein.

50. The observer for Canada indicated that the production of evaporated milk in 1984/85 could be influenced by the historically high levy rate applied to industrial milk. Consequently production could fall. An additional factor could be the losses being incurred on export sales. He also reported that for the 1983/84 production year, industrial milk production had exceeded quotas by about 600,000 hectolitres. Overquota levies had been paid by producers on this production.

51. The following information was also furnished:

Australia: With the dairy herd remaining stationary, output of milk totalled 6,087 thousand tons in 1983/84, i.e. an increase by 7.2 per cent. It could reach 6,150 million litres in 1984/85 (plus 1 per cent).

United States: Milk production during January-August fell 2.1 billion pounds, 2.7 per cent on a daily average basis. For the rest of the year, cow numbers are expected to edge down slightly, but the current decline in output per cow will probably slow. Output for 1984 is forecast to total 135.8 billion pounds, a drop of 4.2 billion from 1983. Projections for 1985 place output within 1 per cent of 1984. This year's production decline is partly the result of the dairy diversion programme, but it is also due to lower milk prices, the 50-cent deductions, higher grain and hay prices, improved off-farm employment opportunities, and expectations of still lower milk prices in 1985. After increasing for three years, Government purchases of dairy products are dropping, because commercial sales are up and milk production and marketings are down. For calendar

year 1984, removals are expected to equal about 8.5 billion pounds, compared with last year's 16.8 billion. In 1984, commercial sales are expected to be up 3 to 3.5 per cent. In 1985, sales could climb another 1 to 4 per cent.

Finland: Milk production is expected to decrease to 2,920 million litres in 1984, a decrease by 0.8 per cent as compared to 1983. In 1985, production is further expected to decrease to around 2,875 million litres.

Japan: From April to May 1984, milk production increased by 1.4 per cent. On the contrary in June and July, due to a severely hot summer, production decreased by 1.2 per cent and 2.7 per cent respectively.

New Zealand: It is estimated that milk fat production in 1984/85 would be down by about 5 per cent as compared to 1983/84. In 1983/84, milk production had increased by 11 per cent.

Poland: Although at 1 June 1984 the dairy herd had been about 0.5 per cent below the level one year earlier, for 1984 as a whole milk collection is expected to be in excess of 11 billion litres, i.e. reflecting an increase by about 3 per cent in relation to the previous year.

Switzerland: In June, July and August 1984 milk output was 6 per cent over the level during the same period of 1983. The increase was mainly attributable to two factors. On the one hand, the dairy herd had increased (by 0.5 per cent) while genetic quality was continuing to improve. On the other hand, favourable weather conditions had resulted in an excellent crop of green fodder, in terms of both quality and quantity. Towards the end of the year, increased slaughterings of milk cows are expected, with a consequent slight decline in production. The guaranteed producer price was increased by 1 centime on 1 July and is currently Sw F 0.92 per kg.

D. Report to the CONTRACTING PARTIES

52. The Council agreed that its Chairman would prepare and present, on his own responsibility, a report to the CONTRACTING PARTIES on activities under the Arrangement during the past year.

E. Other business

53. The Chairman proposed that, as for sessions in earlier years, a preliminary time-table should be set for 1985. He suggested that on a provisional basis, the dates of 28 and, if necessary 29 March, and 26 and, if necessary 27 September, should be earmarked for sessions of the Council. A decision on those dates could be taken later when the dates of the Committees' sessions were fixed in December.

54. The Chairman said that he would likewise prepare on his own responsibility a note on the current session, which would be circulated.

ANNEX/ANNEXE/ANEXO

International Dairy Products Council
Conseil international des produits laitiers
Consejo Internacional de Productos Lácteos

LIST OF REPRESENTATIVES - LISTE DES REPRESENTANTS -
LISTA DE REPRESENTANTES

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Président: Mr. D.J. Greenfield (New Zealand)
Presidente:

Vice-Chairman:
Vice-Président: Mr. L. Bartha (Hungary)
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ARGENTINA

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Consejero Económico y Comercial,
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Mr. Peter Grey
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M. Peter Baron
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