
2. Mr. K. Luotonen (Finland) was elected Chairman for 1991/92 and Mr. M. Jordana (Australia) was elected Vice-Chairman of the Council. Mr. Jordana was also elected Chairman of the Protocol Committees.


4. The Council reviewed the functioning of the Arrangement basing itself on reports regarding the implementation of the Protocol Regarding Certain Cheeses, the Protocol Regarding Certain Milk Powders and the Protocol Regarding Milk Fat, and on information submitted recently in reply to Questionnaires 4 and 5, concerning products not subject to the provisions of the Protocols and concerning domestic policies and trade measures and took note of comments made on this documentation. The Council concluded that the International Dairy Arrangement was functioning to the satisfaction of its participants and had proven to be a valuable instrument for restoring and maintaining the order in international dairy trade, notably through concerted disciplines relating to export price fixing and through actions taken to cope with problems occasionally occurring in particular markets.

5. For its traditional evaluation of the situation in, and outlook for the world market for dairy products, the Council, in addition to the reports from the Committees of the Protocols, also had before it documents prepared by the secretariat, notably a status report on the world market for dairy products, a note on food-aid operations and relevant statistical information.

6. World milk production increased by 1 per cent from 1989 to 1990, as increases in the USSR, the United States and India were not entirely offset by a small decrease in the European Communities. World milk production was expected to continue to grow in 1991.
7. In 1990 the balanced market situation for dairy products came to an end, with a rebuilding of stocks and strong downward pressure on prices notably for butter and skimmed milk powder.

8. World butter production grew in 1990 at a rate of 1.4 per cent amounting to 7.70 million tons and was projected to remain at that level in 1991. A vigorous demand for light products in many countries entailed a substantial surplus of milk fat which together with a continued low butter consumption in many countries resulted in increased exportable availabilities.

9. Cheese production grew by another 2 per cent in 1990, and the trend was likely to continue in 1991. Increased growth in cheese consumption in 1990 led to a lively import demand and further expansion in cheese trade.

10. Throughout 1990, prices for dairy products remained under pressure in international markets and some offers and sales of butter and skimmed milk powder were reportedly made at prices below the agreed minimum export prices. However, towards the end of 1990 and early in 1991 the market situation for milk powders and cheese improved and prices firmed while the market for milk fats remained under pressure.

11. Concerns were expressed at the unsatisfactory situation dominated by a fragile butter market. Participants were urged to ensure full observance of the minimum export prices. An appeal was also made to non-participants not to offer or sell dairy products at prices below prevailing market prices and in any case not below the agreed minimum export prices. Minimum export prices established under the Arrangement have been maintained unchanged since September 1989.

12. In light of developments in the international butter market and in particular the situation with respect to imports into the USSR, the Committee of the Protocol Regarding Milk Fat decided in December 1990, that some provisions of the Arrangement should not apply to butter exports to the USSR, provided certain conditions were complied with. It was hoped that USSR imports would then reach their level of recent years, and that this would bring some relief to a depressed butter market. Concerns were, however, expressed as to the ability of the USSR to take delivery of and to pay for its imports and that recent increases in retail prices in the USSR might further aggravate the situation. The Committees of the Protocols will revert to the matter at their June 1991 sessions.

13. The Council took note of the documentation and other information available to it and also noted the comments made. Delegations shall inform the secretariat directly of any modifications to be made to the documentation.