1. In pursuance of Article VII:2(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committee adopted the present report on its thirty-fourth session, held on 20, 21 and 22 June 1988.

2. The Committee adopted the agenda proposed in airgram GATT/AIR/2604, as well as the report on its thirty-third session as amended (DPC/F/56).

3. The Committee reviewed the replies to the questionnaire and requested members which had not yet communicated information for the first quarter of 1988 to do so without delay. The Committee took note of the summary tables prepared by the secretariat.

4. The Committee took note of additional information furnished by Australia (DPC/F/W/34) and New Zealand (DPC/F/W/35), concerning sales related to the Decision of 2 June 1987 (DPC/F/48) and the agreement of 15 December 1987 (DPC/F/53) and noted that no sales under derogation had been effected.

5. The Committee also took note of information furnished by the EC concerning sales to Bangladesh related to the Decision of 22 March 1988 (DPC/F/55), and of comments made. It agreed to retain this matter on the agenda for further consideration at its next meeting.

6. Members of the Committee exchanged information and views regarding the market situation for products covered by the Protocol. It was noted that international prices of butter had ranged between US$1,100 and US$1,300 per ton f.o.b. and those of butter oil fluctuated between US$1,350 and US$1,500 per ton f.o.b. in the second quarter. Stocks of butter had substantially declined. It was also noted that the market situation was improving and that this might justify a further increase in the minimum export price. The Committee would, however, await further clarification of the market situation and would revert to the question of modification of the minimum export price for butter at the regular annual review of minimum export prices in September 1988.
7. The Committee took note of a notification by the EC of intended sales of aged butter for welfare purposes to Algeria, Egypt and Tunisia (DPC/F/W/37), and of additional information furnished by the EC. These transactions were considered to be other than normal commercial transactions in terms of the Arrangement. However, some participants expressed concern that these sales were adversely affecting normal commercial sales to these markets and reserved their rights under the Arrangement. The Committee took note of the comments made and agreed to revert to the matter as a separate item on the agenda at its next meeting.

8. The Committees heard a statement by the European Communities on the effects of the Communities' agricultural policy reforms (DPC/W/81). They equally noted information provided by Australia on steps undertaken to liberalize the Australian dairy market and which will be more fully explained in the regular reply to Questionnaire 5.

9. The Committees considered the effects of the drought situation in the United States on dairy markets. It was agreed to follow closely further developments.

10. The idea was raised to invite greater participation in the Arrangement by important producers and traders of dairy products at least as observers to the meetings of the Council and Committees. No final agreement was reached on that point at this meeting and it was agreed to revert to the matter for further consideration at the September meetings.

11. The next sessions of the Committees will be held consecutively on 19 and 20 September 1988, subject to confirmation by the secretariat.