Introduction

1. The Committee of the Protocol Regarding Milk Fat held its fifth session on 31 March 1981.

Adoption of the agenda

2. The Committee adopted the following agenda:

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

Election of the Chairman and the Vice-Chairman

3. The Committee designated Mrs. Francine Hubert (secretariat) as Chairman; it agreed not to elect a Vice-Chairman at the current session.

Adoption of report on the fourth session

4. The Committee adopted the report on its fourth session. The report will be circulated as document DPC/F/6.
Information required by the Committee

(a) Replies to Questionnaire 2

5. The Committee reviewed the replies to Questionnaire 2 and requested members which had not yet communicated information for the fourth quarter of 1980 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 2 relating to the first quarter of 1981 should reach the secretariat not later than 15 June 1981.

6. The Committee accepted, on a trial basis, the secretariat's proposal for a new presentation of replies to Questionnaire 2. In order to allow more rapid distribution of the documents and achieve some economies, replies to the questionnaire would be circulated in the original language only, with a translation of all footnotes on the last page. It was also agreed that a reference document would be circulated indicating in the three working languages all titles and headings in the questionnaire.

(b) Summary tables

7. The Committee was informed that in accordance with Rule 28 of the Rules of Procedure the secretariat had prepared summary tables incorporating the data provided in Table A of Questionnaire 2 in respect of anhydrous milk fat and butter. The Committee had before it a document containing revised summary tables (DPC/F/W/1/Rev.4). The Committee took note of that document.

(c) Other information

8. In pursuance of Rule 23 of the Rules of Procedure stipulating that the questionnaires can be revised in the light of data communicated, the Committee decided that it would be useful to have a meeting at expert level to examine the matter on the occasion of its June 1981 session.

Review of the market situation for products covered by the Protocol

9. The representative of the European Economic Community said that total production of butter and anhydrous milk fat had increased by about 0.5 per cent in 1980 in relation to 1979; in 1981, a further increase by 1 to 1.5 or even 2 per cent was expected in relation to the preceding year. In the first two months of 1981 production had been 0.3 per cent lower than in the corresponding period of 1980. Exports of butter and anhydrous milk fat had reached a record level in 1980: butter deliveries had been up 15 per cent and those of anhydrous milk fat had risen by approximately 66 per cent in
relation to 1979. The main destinations included certain countries of Eastern Europe, Latin America and OPEC. There were indications that a slight increase in total exports was likely in 1981 as against 1980. Total domestic consumption of butter had dropped back by about 50,000 tons in 1980 from the preceding year's level, probably due to the fact that there had been some concessional sales of butter at the end of 1980 when stocks had been at a fairly low level. These had continued to decline and currently stood at approximately 50,000 tons. They were expected to remain at a reasonable level in the coming months. Export prices of butter and anhydrous milk fat remained relatively high, at between US$2,270 and US$2,350 for butter and in the region of US$2,720 and US$2,780 for anhydrous milk fat. Despite higher prices, the market for butter and anhydrous milk fat was still expanding.

10. The representative of the United States said that according to certain reports, total domestic consumption of butter in New Zealand might be lower in 1980/81 than in 1979/80. He invited the New Zealand representative to indicate the reasons for that decline.

11. The representative of New Zealand said that prices in the domestic market reflected international prices. High prices had caused a fall in domestic butter consumption. Per capita consumption, which had been estimated at 14 kgs. in 1979/80, remained high in his country. Import demand had been developing rapidly, particularly in the markets of the USSR and certain East European countries. International price levels had further firmed to the current level of approximately US$2,000 per metric ton f.o.b. for butter and to US$2,200-2,400 per metric ton f.o.b. for anhydrous milk fat.

12. The representative of the United States said that butter production in 1980 had been 16 per cent above the 1979 level. Commercial butter use for 1980 had been down over 2 per cent. Butter stocks had increased strongly, reaching 138,000 tons at the end of 1980 as against 81,000 tons at the beginning of the year. Butter production was likely to continue to increase in 1981 at approximately the same rate as in 1980.

13. The representative of Australia said that butter production had dropped back sharply in the past two years, reaching approximately 65,000 tons in 1980 as against 86,000 tons in 1979 and 103,000 tons in 1978. It was expected that, while the downward trend in manufacturing milk production might continue in 1981, butter production would increase following the introduction of measures aimed at encouraging butter production to meet domestic demand. Exports of butter in the seven-month period from July 1980
to January 1981 had totalled only 10,300 tons and were not expected to exceed that level in the 1980/81 season. Export prices for butter were around US$2,000 per metric ton.

14. The representative of Finland was of the view that butter production in 1981 could be affected by the expected increase in milk production. Butter stocks were likely to increase in 1981 to between 15,000 and 17,000 tons, i.e. 5,000 to 6,000 tons more than in 1980. In the latter year those exports had been fairly small because stocks had been replenished in that period to reach 10,000 tons at the end of the year as against 4,000 tons at the beginning. Domestic consumption of butter had been down in 1980 in relation to 1979. Nevertheless, per capita consumption remained high, at 12.3 kgs. in 1980. Measures had been taken to maintain consumption at a level as high as possible, but some decline could be expected in 1981. The sales of a mixture of edible fat products of butter (80 per cent) and vegetable oils (20 per cent) increased drastically in 1980. Nevertheless, per capita consumption of this product, which retailed at the same price as butter, remained very low in comparison with butter consumption. Domestic consumption of margarine had fallen off by about 1.8 per cent in 1980 as against 1979.

15. The representative of Norway said that in 1980 domestic consumption of butter had increased by about 7 per cent and production by approximately 6 per cent in relation to 1979. As a result, some 1,800 tons of butter had had to be imported in 1980. If milk production continued to rise, Norway would nevertheless be exporting about 2,000 tons of butter in 1981.

16. The representative of Sweden said that butter production had totalled 40,500 tons in 1980, as in the previous year. The production of edible fat products of butter and vegetable oils ("Bregott") had reached 18,100 tons in 1980. Production of anhydrous milk fat had increased slightly in 1980 to 5,500 tons, as against 5,100 tons in 1979. Butter exports had been down to 10,400 tons in 1980, i.e. 1,900 tons less than in 1979. Exports of butter in 1981 were likely to be at the same level as in 1980.

17. The representative of Switzerland said that butter production in 1980 had been about 5 per cent below the 1979 level, while domestic consumption had increased by about 7 per cent. In view of the fact, however, that consumption statistics included stocks held by manufacturers, actual consumption had probably remained stable in 1980. Total imports had increased substantially in that year, reaching 13,200 tons, as against 8,000 tons
in 1979. International prices had risen rapidly in 1980 from US$1,400 to US$2,300 per ton at the end of the year. Stocks of butter had been at normal levels at the end of 1980. Production, domestic consumption and imports of butter were likely to remain stationary in 1981 as compared with 1980.

18. The representative of Austria said that production and domestic consumption of butter had increased by approximately 7.7 per cent and 7 per cent respectively in 1980 from the preceding year's level. Per capita consumption of butter in 1980 had been in the vicinity of 5 kgs. Imports and exports had also increased in 1980. Between the beginning and the end of the year, butter stocks had increased from 300 to 1,200 metric tons.

19. The representative of Hungary said that production and consumption of butter had progressed in parallel by about 8 per cent in 1980 in relation to 1979. Per capita consumption of butter in 1980 had reached 2.1 kgs. Prices had been rising steadily and had been in the region of US$2,000 per metric ton by the end of 1980 as against US$1,300 to US$1,400 at the beginning of the year. Production and consumption of butter were likely to increase slightly in 1980. It was expected that Hungary would export small quantities of butter in 1981.

20. The representative of Bulgaria said that butter production in 1980 had been up 7.5 per cent in relation to 1979 and for the first quarter of 1981 was estimated at 5,300 tons, as against 4,800 tons in the first quarter of 1980. Stocks had reached 1,100 tons at 10 January 1981 and could be considered normal. Per capita consumption of butter had dropped back slightly because of competition from imported margarine.

21. The representative of South Africa said that production of butter had decreased in 1980 to 17,400 tons while consumption had increased to 17,800 tons. In that year, exports had progressed slightly and there had been no imports. Closing stocks at 31 December 1980 had stood at 3,600 tons, as against approximately 5,000 tons at 31 December 1979. A slight increase in butter production was likely in the coming months.

22. The representative of Japan said that production of butter had been following the same trend as skimmed milk powder production and had declined by about 7.7 per cent in 1980 in comparison with 1979. Imports of preparations with a high milk fat content had increased in 1979 and 1980 with consequent effects on consumption and prices of butter. At the end of 1980, butter stocks were in the region of 26,000 tons, as against 28,000 tons at the beginning of the year.
23. The representative of Australia said that his Government was closely following the situation in Japan, as a result of recent announcements which called for the imposition of voluntary restraints on imports of prepared edible fats into Japan.

24. The observer for Canada said that factory butter production had totalled some 100,000 tons for 1980, 2.1 per cent above the preceding year's level. There had been virtually no imports nor exports of butter in 1980. Butter stocks at 1 January 1981 had stood at some 14,600 tons, i.e. 28.3 per cent less than at 1 January 1980. Total domestic consumption of butter had remained unchanged in 1980 in relation to 1979, although per capita consumption had dropped back slightly. Butter prices had been rising in Canada in the past two years. Efforts had been made to influence domestic demand and, in that context, Can$14 million approximately had been expended in 1980 to advertise butter and cheeses.

25. The representative of Romania said that butter production had remained stable in 1980 in relation to 1979. Imports and exports had declined sharply while domestic consumption had reached 36,400 tons, an increase by about 13.4 per cent in relation to 1979. By the end of 1980, stocks had fallen by one half to 1,400 tons as against 2,800 tons at the beginning of the year.

26. The representative of New Zealand considered that the exchange of views on butter consumption had been interesting. It had shown that trends in domestic butter consumption varied from one country to another. He suggested that at its next session the Committee might discuss in greater detail the question of butter consumption, in particular its level.

27. The representative of the European Economic Community supported the proposal by the New Zealand representative. The discussion could cover consumption incentive measures taken by participants, forecasts for future trends and competition from other products.

28. The Committee agreed to discuss in detail at its next session, in particular, the question of butter consumption.

Other business

Report to the Council

29. The Committee agreed that an oral report on discussions at the current session would be presented to the Council.

Date of the next session

30. The Committee decided to hold its next regular session on 18 June 1981, subject to confirmation by the secretariat.