1. In pursuance of Article VII:2(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committees adopted the present report on their thirty-eighth sessions, held on 19 June 1989.

2. The Committees adopted the agenda proposed in airgram GATT/AIR/2775, as well as the report on their thirty-seventh sessions as amended (DPC/PTL/4).

3. The Committees reviewed the replies to the questionnaires and requested members which had not yet communicated information for the first quarter of 1989 to do so without delay. The Committees took note of the summary tables prepared by the secretariat.

4. Regarding transactions other than normal commercial transactions, the Committee of the Protocol Regarding Milk Fat took note of information provided by the representative of Poland on discussions taking place between the United States and Poland concerning donations of certain quantities of butter by the United States.

5. Regarding sales under derogations, the Committees noted that no sales of cheeses, milk fat and milk powders were made under derogations in the first quarter of 1989.

6. The Committees reviewed the market situation for products covered by the Protocols. There was a steady increase in demand for all dairy products. Market conditions had also improved with regard to butter although some uncertainties persisted with respect to consumption. It was considered that the present market situation was healthy and with certain premises being met, the situation was expected to last throughout 1989 and well into 1990. International prices of products covered by the Protocols.
continued to remain high in the second quarter of 1989 fluctuating in the following ranges (per ton f.o.b.):

- between US$1,900 and US$2,100 for Cheddar cheese;
- between US$1,800 and US$2,100 for skimmed milk powder and whole milk powder;
- between US$1,800 and US$2,000 for butter;
- between US$2,000 and US$2,300 for anhydrous milk fat.

The market outlook indicated that dairy prices in the world market would remain high and might increase further in the remainder of 1989 notably in the case of milk fats. A participant signalled the intention to make proposals to modify minimum export prices in the context of the annual review of prices in September. In response, other participants suggested that details related to such proposals should be made available at an early stage allowing time for informal consultations ahead of the September meetings. The Committees noted the intention signalled and the comments made in this respect.

7. The Committees heard a statement by Australia concerning the market situation and market impacts of national policies (DPC/W/90). The matter would be subject to further consideration at the September meetings of the Council and the Committees when making, as required by Article IV of the Arrangement, an evaluation of the situation in and outlook for the world market for dairy products on the basis of the status report prepared by the secretariat.

8. The Committees took note of information provided by the secretariat and of statements made regarding the situation in the United States and considered it appropriate to follow closely further developments on United States' production and trade, and notably seek relevant information about sales of butter to the USSR.

9. The Committees were informed of a submission from the International Federation of Agricultural Producers containing certain proposals concerning the Arrangement, and which had been circulated to participants (DPC/W/88).

10. The next sessions of the Committees will be held consecutively on 18-19 September 1989, subject to confirmation by the secretariat.