

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(82)40
26 April 1982

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING MILK FAT

NINTH SESSION

Draft Report

Introduction

1. The Committee of the Protocol Regarding Milk Fat held its ninth session on 30 March 1982.

Adoption of the agenda

2. The Committee adopted the following agenda:

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

3. Opening the session, the Chairman welcomed Egypt as a new signatory of the International Dairy Arrangement.

Election of the Chairman and Vice-Chairman

4. The Committee entrusted the chairmanship to the secretariat (Mrs. Francine Hubert); it did not elect a Vice-Chairman.

Adoption of the report on the eighth session

5. The Committee adopted the report on its eighth session, which will be circulated as document DPC/F/12.

Information required by the Committee

(a) Replies to Questionnaire 2

6. The Committee reviewed the replies to Questionnaire 2 communicated for the fourth quarter of 1981. In addition, it was pointed out that the replies to Questionnaire 2 relating to the first quarter of 1982 should reach the secretariat not later than 15 June 1982.

(b) Summary tables

7. The Committee had before it a document containing revised summary tables (DPC/F/W/1/Rev.8) prepared under Rule 28 of the Rules of Procedure and covering the information furnished in Table A of Questionnaire 2 regarding anhydrous milk fat and butter. Regarding the percentages shown in those tables, it was pointed out that in certain cases the data furnished by participants had been rounded off to the nearest thousand metric tons and as a result the percentages could be distorted. Document DPC/F/W/1/Rev.8 also contained a table showing butter exports by destination (years 1979 and 1980), as had been proposed at the preceding session. The Committee had considered that more time was needed to examine the tables which could be included in the status report and had decided to revert to the matter at the current session. Reference was made to the difficulties encountered in preparing tables showing exports by region, in particular the fact that the data furnished by certain participants mentioned only one or two countries of destination or gave only a breakdown by regions. In cases where the figures were only limited, it would be desirable for participants to furnish at least two meaningful figures, so that the percentages calculated would not be distorted by rounding-off, and for the data in the tables by destination to be more detailed. The Committee agreed that the tables showing exports by destination would be kept up to date and included in the status report. The Committee took note of document DPC/F/W/1/Rev.8.

(c) Other information

8. No other information was requested.

Information on food aid

9. In response to the request made by the Council on 1 October 1981, and as agreed at its preceding session, the Committee examined information on food aid in the form of milk fat as circulated in the secretariat note (DPC/W/21).

10. The representative of the EEC said that the food aid programme for 1982 in respect of butter oil and butter was unchanged in relation to 1981, and provided for 45,000 tons of butter oil. Destinations were to be decided later in the year and the secretariat would be duly informed.

Review of the market situation for products covered by the Protocol

11. The representative of the United States pointed out that the "Agriculture and Food Act of 1981" provided that not later than 31 December 1981, the Secretary of Agriculture shall submit to the Congress a report on the operation of the existing dairy programmes and the consequences of possible new programmes. He informed the Committee that, in the beginning of March 1982, the Secretary of Agriculture had made a statement to announce that a public dairy symposium would be set for 22 and 23 March 1982 to gather input for drafting recommendations to Congress about changes in the dairy price support programme. In this announcement, it had been indicated that the goal of the symposium was to gather input about how the severe problem of dairy surplus and the increasing costs of support payments could be tackled. The United States representative added that he had not yet received the report on the symposium. He stressed that the statement made by the Secretary of Agriculture reflected the attitude of the United States Administration towards the dairy problem.

12. The representative of the United States said that total milk production in 1982 was expected to increase by about 3 per cent. It was hoped that by the end of the year the rate of increase would fall. With regard to butter, he said that any significant increase in production was not expected in 1982. Stocks of butter held by the Commodity Credit Corporation had increased in the course of 1981 and had continued to develop in early 1982, to a level of 290 million lb. (approximately 131,500 metric tons) at 1 March 1982. In order to dispose of these stocks, a pilot programme had been undertaken for the distribution of about 40,000 tons of butter for welfare purposes. Depending upon its success, this programme might be continued. Other possible means of disposing of surplus stocks were under consideration. However, no decision had yet been taken.

13. The representative of the EEC underlined that the high level of United States stocks was giving rise to concern and asked the United States representative to inform the Committee as to the current level of those stocks. Certain measures had already been taken to reduce those stocks, and he asked the United States representative to give some indications as to action envisaged for surplus disposal. In addition, the EEC delegation was of the opinion that transactions

in the "grey area" between normal commercial operations and food aid should be notified under Article V:3 of the Arrangement. In that connection, a barter transaction had taken place between the United States and Jamaica in respect of skimmed milk powder and butter oil on the one hand and bauxite on the other, but had not been notified. He asked the United States representative for information regarding that transaction and for details of deliveries under the contract for the sale by the United States of 100,000 tons of butter to the New Zealand Dairy Board.

14. Referring to the sale of 100,000 tons of butter by the United States to the New Zealand Dairy Board, the representative of New Zealand informed the Committee that the butter would be converted into anhydrous milk fat in New Zealand, Europe and the United States. Sales or firm commitments for around two thirds of the total quantity involved in the contract had now been made. Referring to a barter deal mentioned by the representative of the EEC, he noted that barter transactions were a new development in dairy trade. In the view of his delegation, such transactions would fall outside the category of normal commercial transactions and they should therefore be subject to Article V:2 of the Arrangement. He added that such barter transactions had distorting effects because they displaced the exports of third countries in traditional markets.

15. The representative of the United States said that he would try to furnish as soon as possible the information requested on the current level of United States stocks together with details regarding the barter transaction recently carried out between the United States and Jamaica.

16. The representative of Switzerland said that, notwithstanding the quota system, a slight increase in milk production could be expected in 1982. Butter output was forecast as remaining relatively stable in 1982. Butter imports in that year would probably remain close to the levels recorded for recent years, in the vicinity of 10,000 tons. Butter consumption in 1982 could remain stable in relation to 1981.

17. The representative of the EEC said that milk production was forecast as being up by about 2 to 2.2 per cent in 1982 in relation to 1981. As a consequence, butter output was likely to increase by about 2.1 per cent in 1982, while consumption of butter was expected to decline by about 0.7 per cent. At 25 March 1982, public stocks of butter had stood at 27,359 tons, with private stocks at the level of 40,731 tons. Following a slight contraction in demand for butter, export prices had dropped back by about US\$200 per ton to the region of US\$2,180 to US\$2,220 per ton f.o.b. Export prices of anhydrous milk fat had also declined and were currently in a fork between US\$2,480 and US\$2,530 per ton f.o.b.

18. The representative of Sweden said that during the second half of the seventies, milk production had increased as an average by about 2 per cent per year. However, a slow down had been noted in 1981 mainly due to unfavourable growing conditions. As a result of continued increase in productivity, the annual production growth rate was estimated to return to the former rate of 2 per cent during the next few years. With regard to butter, he said that production had been stable at around 40,000 tons per year since 1979. However, an increase was expected in 1982. Consumption of butter was likely to increase during the next few years. It was estimated that exports of butter in 1982 would be higher than the preceding year.

19. The representative of Norway said that butter consumption had fallen sharply by about 15 per cent in 1981, following a price increase that had taken effect on 1 January of that year. Considerable quantities had been purchased prior to the price increase so that for the years 1980 and 1981 the real decline in consumption had been around 2 per cent. Aggregate consumption of butter and margarine had dropped back in 1981 to 87,000 tons as against 92,000 tons in 1980. The decline in consumption of animal and vegetable fats was mainly attributable to dietary considerations. Butter exports were likely to fall off in 1982 to around 1,000 tons, as against some 2,800 tons in 1981.

20. The representative of Finland said that in the second half of 1981, milk deliveries to dairies had decreased heavily (by 7 to 8 per cent). The average decrease in 1981 had been 3 per cent. This decrease was the result of unfavourable weather conditions. The decrease was also due to the various measures carried out to reduce milk production. It was estimated that milk production would decrease again by about 3 per cent in 1982. With regard to butter, he said that production had decreased in 1982 to around 72,000 tons as compared to 74,000 tons in the preceding year. The decline in production could continue in 1982. Consumption of butter had increased to around 59,000 tons in 1981, from 57,000 tons in 1980. Per capita consumption of butter was estimated at around 12.5 kg. in 1981. In that same year exports had increased to the level of 15,000 tons, of which 10,000 tons had been sold to the USSR. Between the beginning and the end of the year, stocks had dropped back by 2,000 tons to the level of 8,000 tons at the end of 1981.

21. The representative of the EEC noted that butter consumption had increased in Finland in 1981 whereas a downward trend had been recorded in a number of other participants. Given the importance of the consumption aspect for evaluating the market situation, it might be useful if the secretariat were to include in the summary tables a table showing butter consumption, and in particular per capita consumption in the countries participating in the Committee's work.

22. The representative of Japan said that milk production had reached 6,620,000 tons in 1981, a 2 per cent increase over the previous year. Consumption of milk for drinking had increased by 3.7 per cent in 1981. Consumption of milk for processing decreased by 0.9 per cent in 1981 after dropping by 5.4 per cent in 1980. With respect to butter, total stocks at the end of 1981 had been fairly high at the level of 19,000 tons, equivalent to three and a half months' domestic consumption.

23. The representative of South Africa said that production and consumption of butter had been higher in the fourth quarter of 1981 than in the preceding quarter. For that year as a whole, output had declined by about 14 per cent while consumption had remained relatively stable. Butter stocks had declined in late 1981. It was expected that butter would be imported during the first quarter of 1982 in order to supplement the stock position. A slight increase in production was expected during the first quarter of 1982 with consumption falling to approximately 4,100 tons. He informed the Committee that advertising campaigns to promote the sale of butter were continued.

24. The representative of Romania said that butter output in 1981 had been slightly over the preceding year's level. Because of smaller production of oilseeds, exports had declined and imports had increased in the first half of 1981. Butter consumption had risen substantially in 1981, particularly in the first half of the year. End-year stocks had been above the level recorded at the beginning of 1981. In 1982, butter consumption could be expected to remain stable or decline slightly if oilseed production returned to normal.

25. The representative of Argentina said that butter imports had been relatively high in 1981, reaching 2,537 tons, while exports had been negligible.

26. The representative of Australia said that seasonal conditions had improved throughout the country except in Western Australia and South Australia. Consequently, it was expected that milk production in 1981/82 would be slightly higher than the previously forecast 5,000 million litres. With regard to butter, he stated that over the six-month period July-December 1981 production and exports had reached 53,778 tons and 3,016 tons respectively. Recently, butter production had increased. Consequently, an increased export availability was expected for the first half of 1982. Total exports for 1982 were forecast at 8,000 tons. With regard to butter oil, he considered that world market for butter oil had weakened due to 80,000 tons of United States surplus butter being processed into butter oil. The representative of Australia associated his delegation with the concern expressed by other delegations about a barter transaction between the United States and Jamaica in the exchange of butter oil and skimmed milk powder for bauxite.

27. The representative of Austria said that butter output had increased by 3.2 per cent in 1981 to the level of 40,000 tons. Over the same period, exports had remained stable and at the end of the year stocks had been slightly larger than at the beginning of 1981. Consumption of butter had dropped back by about 15 per cent in the two first months of 1982.

28. The representative of Bulgaria said that milk production had increased considerably in 1981 in relation to 1980. That development had not affected butter output which had continued relatively stable at around 20,000 tons in 1981. Bulgaria was not a butter exporter, its entire output going to domestic consumption.

29. The representative of Hungary said that production and consumption of butter had remained stable in 1981 in relation to the preceding year, with per capita consumption around 2.6 kg. Exports had increased sharply to 12,700 tons in 1981 as against 4,500 tons in the preceding year. Imports had also risen, to the level of 9,300 tons. Forecasts for 1982 indicated a slight increase in butter output with consumption continuing at the preceding year's level. Exports and imports in 1982 were not expected to exceed the figures for 1981.

30. The representative of New Zealand said that although milk production in New Zealand had been at high levels during the period October to December 1981, production in June to September had been seriously down. Total production from June to December had lagged behind comparable production in the previous season. There had been dry conditions in January and early February, but production had recovered. However, it was unlikely that output for the whole 1981/82 season would exceed the 1980/81 total. With regard to butter and anhydrous milk fat, it was expected that production of these products in the 1981/82 season would, in total, be slightly down compared with 1980/81 levels. Butter consumption had been trending downwards as a result of the removal of government subsidy and retail prices increases. Consumption levels had also been affected by competition from polyunsaturated table margarine. Total market offtake of butter in 1981 had been around 42,000 metric tons, giving a per capita consumption of 13.5 kg. He pointed out that throughout the last quarter of 1981 the butter market had remained firm. The EEC export subsidy had remained unchanged from September, but the rising value of the US dollar (relative to the ECU) had recently permitted EEC offer prices to drop. The New Zealand butter price (bulk salted basis) remained at US\$2,200 per metric ton f.o.b. The strong import demand from the USSR for butter, together with low EEC stocks, continued to give strength to the market. However, the market trend had weakened. For anhydrous milk fat, New Zealand prices remained in the US\$2,500 to US\$2,600 per metric ton f.a.s. range. An increase in the EEC export subsidy for anhydrous milk fat, together with exchange rate factors, were permitting EEC offer prices to drop below US\$2,500 per metric ton f.o.b.

31. The observer for Canada said that butter production increased by 10.6 per cent in 1981 to 113,000 tons. It was expected that production would be up by 4 to 5 per cent and that disappearance would be down by approximately 2 to 3 per cent in 1982. The decrease in disappearance of butter would be due to economic conditions, competition from margarine and a potential increase by about 8 to 10 per cent in the price of butter. As a result of the increase in production and the decrease in disappearance, Canadian stock levels were increasing. He pointed out that although butter stocks were increasing they were serving to replenish reduced stocks that had been apparent in 1981. He pointed out also that stock levels combined with production and disappearance data were of great concern to the Canadian dairy industry. Consequently, measures were being taken in order to reduce production of industrial milk. It was hoped that as a result of these measures stocks levels would not be onerous in the coming year. He added that the forecasts for 1982 depended on the current dairy policy remaining in place.

32. The Committee decided to give special attention at its next session to the question of trends in butter consumption. To facilitate the discussion, the secretariat will include in the summary tables a table showing butter consumption in the countries or group of countries replying to the questionnaire.

Other business

Report to the Council

33. The Committee agreed that an oral report would be made to the Council on the discussion at the current session.

Date of next session

34. Under the preliminary calendar, the Committees were to hold their next sessions from 21 to 23 June 1982. It has been decided that the Committees will hold their tenth sessions consecutively on 21 and 22 June and, if necessary, 23 June 1982, subject to confirmation by the secretariat. The session of the Protocol Regarding Certain Cheeses will take place on 21 June 1982, followed by the session of the Protocol Regarding Milk Fat and then the session of the Protocol Regarding Certain Milk Powders.

ANNEX/ANNEXE/ANEXO

LIST OF REPRESENTATIVES - LISTE DES REPRESENTANTS
LISTA DE REPRESENTANTES

Chairman:
Président: Mrs. F. Hubert (Secretariat)
Presidente:

PARTICIPANTS
PARTICIPANTES

ARGENTINA

Representante

Sr. Alberto Dumont
Primer Secretario (Asuntos Comerciales),
Misión Permanente ante la Oficina de
las Naciones Unidas en Ginebra

AUSTRALIA

Representative

Mr. Ross Petersen
Second Secretary (Commercial),
Permanent Mission to the Office of
the United Nations at Geneva

AUSTRIA

Representative

Mr. Walter Kucera
Federal Economic Chamber

BULGARIE

Représentant

M. D. Dimitrov
Premier Secrétaire,
Mission permanente auprès de l'Office
des Nations Unies à Genève

Secretary: Mr. L. Apalaci, CWR, Tél. Ext. 2125
Conference Officer: Miss S. Niklaus, CWR, Tel. Ext. 2350

COMMUNAUTES EUROPEENNES

COMMISSION

Représentants

M. Vittorio Alloco
Conseiller agricole,
Délégation permanente à Genève

M. R. De Santis
Administrateur principal,
Direction générale de l'agriculture

BELGIQUE

M. H. Hooyberghs
Ingénieur agronome,
Ministère de l'agriculture

DANEMARK

M. Viggo Plougmann
Chef de Section,
Ministère de l'agriculture

M. Steen Christensen
Premier Secrétaire,
Mission permanente auprès de l'Office
des Nations Unies à Genève

**ALLEMAGNE, REPUBLIQUE
FEDERALE**

Mme D. König
Ministère fédéral de l'alimentation,
de l'agriculture et des forêts

M. A. Schmidt-Volkmar
Ministère fédéral de l'alimentation,
de l'agriculture et des forêts

M. Peter Lorenz
Mission permanente auprès de l'Office
des Nations Unies à Genève

GRECE

M. A. Liontas
Ministre-Conseiller (Affaires
économiques),
Mission permanente auprès de l'Office
des Nations Unies à Genève

FRANCE

M. Christophe Doucerain
Attaché,
Ministère de l'économie et des finances

IRLANDE

Mr. R. Long
First Secretary,
Permanent Mission to the Office of
the United Nations at Geneva

COMMUNAUTES EUROPEENNES (suite)

ITALIE

Mlle Brunella Lo Turco
Directeur de Section,
Ministère de l'Agriculture

LUXEMBOURG

M. Jean-Louis Wolzfeld
Représentant permanent adjoint auprès
de l'Office des Nations Unies à Genève

PAYS-BAS

M. J. Logger
Ministère de l'Agriculture

ROYAUME-UNI DE
GRANDE-BRETAGNE
ET DE L'IRLANDE
DU NORD

Mr. L.C. Mitchell
Senior Executive Officer,
Ministry of Agriculture, Fisheries
and Food

Mr. R. Gwen
Second Secretary,
Permanent Mission to the Office of
the United Nations at Geneva

CONSEIL DE MINISTRES

Secrétariat général

M. A. Seguso
Administrateur principal

EGYPT

Representative

Mr. Samir Abdel-Galil
Counsellor,
Permanent Mission to the Office of
the United Nations at Geneva

FINLAND

Representatives

Mr. Antti Kuosmanen
Attaché,
Permanent Mission to the Office of
the United Nations at Geneva

Mr. J. Sirén
Special Adviser,
Ministry of Agriculture and Forestry

HUNGARY

Representatives

Mr. L. Balogh
Chief of Section,
Ministry of Foreign Trade

Mr. I. Regöczy
Chief of Section,
Ministry of Foreign Trade

Mr. L. Bartha
First Secretary,
Permanent Mission to the Office of
the United Nations at Geneva

JAPAN

Representatives

Mr. M. Iwamura
First Secretary,
Permanent Mission to the Office of
the United Nations at Geneva

Mr. O. Nozaki
First Secretary,
Permanent Mission to the Office of
the United Nations at Geneva

Mr. S. Kishi
Assistant Director,
Ministry of Agriculture, Forestry
and Fisheries

NEW ZEALAND

Representative

Mr. D. Greenfield
Counsellor (Economic),
Permanent Mission to the Office of
the United Nations at Geneva

NORWAY

Representatives

Mr. S. Kvakkestad
Counsellor,
Ministry of Agriculture

Ms. I. Magistad
Secretary of Embassy,
Permanent Mission to the Office of the
United Nations at Geneva

ROUMANIE

Représentants

M. L. Paunescu
Représentant résident auprès du GATT

M. G. Dumitru
Conseiller,
Ministère de l'agriculture et de
l'industrie alimentaire

Mme A. Motiu
Conseiller,
"PRODEXPORT" - Entreprise de commerce
extérieur

SOUTH AFRICA

Representatives

Mr. J.B. du Plooy
First Secretary (Economic),
Permanent Mission to the Office of
the United Nations at Geneva

Mr. R.M. Gravelet-Blondin
Attaché (Agricultural Economics),
Mission to the European Communities
in Brussels

SUISSE

Représentants

M. Michel Besson
Chef de Section,
Office fédéral des affaires économiques
extérieures

M. G.A. Stünzi
Adjoint scientifique,
Office fédéral des affaires économiques
extérieures

M. Werner Mahrer
Adjoint scientifique,
Office fédéral des affaires économiques
extérieures

SWEDEN

Representatives

Mr. Nils Ögren
Head of Section,
National Agricultural Marketing Board

Ms. Eidi Genfors
Head of Section,
National Agricultural Marketing Board

UNITED STATES

Representative

Mr. Anthony Cruit
Agricultural Counsellor,
Office of the Trade Representative
at Geneva

URUGUAY

Representantes

Sr. Manuel Olarreaga
Ministro Consejero (Asuntos Económicos),
Misión Permanente ante la Oficina
de las Naciones Unidas en Ginebra

Sr. Alvaro Moerzinger
Primer Secretario,
Misión Permanente ante la Oficina
de las Naciones Unidas en Ginebra

OBSERVERS/OBSERVATEURS/OBSERVADORES

CANADA

Representative

Mr. G. Birks
Economist,
Commodity Markets Analysis Division

Mr. Philip Douglas
First Secretary,
Permanent Mission to the Office of
the United Nations at Geneva

TURQUIE

Représentant

M. Orhan Sağcı
Conseiller, financier et économique,
Mission permanente auprès de l'Office
des Nations Unies à Genève