

GENERAL AGREEMENT ON TARIFFS AND TRADE

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

TENTH SESSION

Draft Report

Introduction

1. The Committee of the Protocol Regarding Certain Milk Powders held its tenth session on 22 June 1982.

Adoption of the agenda

2. The Committee adopted the following agenda:
1. Adoption of report on the ninth session
 2. Information required by the Committee:
 - (a) Replies to Questionnaire 1
 - (b) Summary tables
 - (c) Other information
 3. (a) Review of the market situation for products covered by the Protocol
 - (b) Discussion on consumption
 4. Adoption of report to the Council
 5. Other business.

Adoption of report on the ninth session

3. The Committee adopted the report on its ninth session with an amendment communicated by the United States delegation; it will be circulated as document DPC/P/14.

Information required by the Committee

(a) Replies to Questionnaire 1

4. The Committee reviewed the replies to Questionnaire 1 and requested members which had not yet communicated information in respect of the first quarter of 1982 to do so without delay. In addition, it was pointed out that replies to Questionnaire 1 relating to the second quarter of 1982 should reach the secretariat not later than 15 September 1982.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/P/W/1/Rev.9) prepared under Rule 28 of the rules of procedure and covering the information furnished in Table A of Questionnaire 3 regarding skimmed milk powder and whole milk powder. That document also contained a table showing exports by destination for skimmed and whole milk powder (years 1979 and 1980). Regarding the summary tables, it was recalled that in cases where the figures were very limited, it would be desirable for participants to furnish at least two meaningful figures so that the percentages shown in the tables and the data in the tables by destination might be as accurate as possible. The Committee also had before it a summary table on consumption of skimmed milk powder in the countries or group of countries replying to the Questionnaire, (DPC/P/W/6), prepared in response to a request made by participants at the March 1982 session. It was noted that the data in that table related to apparent consumption; consequently, in certain cases the figures indicated might not be really meaningful and give a very exact idea of the trend in consumption. It would be desirable for participants to furnish more detailed data, in

particular data on real consumption. The Committee agreed that the table showing consumption would be included regularly in the summary tables. The Committee took note of documents DPC/P/W/1/Rev.9 and DPC/P/W/6.

(c) Other information

6. No other information was requested.

Review of the market situation for products covered by the Protocol

Discussion on consumption

(a) Current market situation and outlook

7. The representative of Egypt said that production of milk in 1979, 1980 and 1981 had amounted to 1,820,000 tons, 1,865,000 tons and 1,902,000 tons respectively. Imports of butter oil in 1979 had reached 17,185 tons for the value of LE 19,522,665. Out of this quantity, 16,119 tons had been sold in the local market for the value of LE 17,670,513. This amount had been sold with subsidies reaching LE 650,438. Those imports were from the EEC. In the year 1980/81 (year ending 30 June) imports of butter oil had reached 27,331 tons for the value of LE 41,274,390. Out of this quantity 23,326 tons had been sold in the local market for the value of LE 27,769,884. This amount had been sold with a subsidy totalling LE 2,606,080. Those imports were mainly from the EEC; in addition, certain quantities had been imported from the United States.

8. The representative of Austria said that there had been virtually no change in production of skimmed milk powder in the first quarter of 1982 in relation to the corresponding period of 1981. At the end of March 1982, stocks had been substantially lower than one year earlier. Domestic

consumption had dropped back sharply in the first quarter of 1982, while exports had increased. With respect to whole milk powder, production and exports had increased in the first quarter of 1982 in relation to the corresponding period of 1981. At the end of March 1982, stocks were stable in relation to the end of March 1981.

9. The representative of the EEC informed the Committee that as from 20 May 1982, the intervention price for skimmed milk powder had been raised from ECU 132.45 per 100 kg. to ECU 146.23 per 100 kg. It was estimated that production of skimmed milk powder in 1982 could be 3.4 per cent above the preceding year's level. At 10 June 1982 stocks of skimmed milk powder had totalled 343,143 tons. With respect to whole milk powder, an increase in production by 1.3 per cent was forecast for 1982 in relation to 1981.

Because of appreciation of the United States dollar in relation to the ECU and national currencies of the member States, export prices were currently around US\$1,000 to US\$1,050 per ton f.o.b. for skimmed milk powder and in the vicinity of US\$1,400 to US\$1,450 per ton f.o.b. for whole milk powder.

In the market for skimmed milk powder, purchasers were showing some reluctance, in particular because of the increase in stocks, so that exports were currently not very substantial. The Community would do everything possible with a view to maintaining current prices. Nevertheless, the trend in sales of skimmed milk powder seemed uncertain. According to certain reports, recent prices for Canadian exports of skimmed milk powder had been around US\$920 per ton, i.e. considerably lower than those quoted by other exporters. The outlook was more promising for trade in whole milk powder

and the Community hoped that in 1982 its exports would continue at the same level as in 1981.

10. Referring to the communication from Argentina regarding import measures on dairy products adopted by the authorities of that country (DPC/W/13/Add,1) the representative of the EEC noted that according to the Argentine authorities there was no reason to apply minimum import prices to milk powders coming from certain countries, and asked the Argentine representative why the Community countries had not been included among the countries mentioned in the communication.

11. In reply, the representative of Argentina said that exports by the Community were currently the subject of a separate investigation which had not yet been completed.

12. The representative of the EEC said that in his delegation's view Community prices were no different from those of the countries mentioned in DPC/W/13/Add.1. The investigation regarding imports from the Community had been under way for some time and could take still longer. Such separate investigations were discriminatory, and he asked the Argentine representative how long the investigation was likely to take.

13. The representative of Argentina replied that he had no information regarding the investigation's probable duration.

14. The representative of the United States said that skimmed milk powder output for 1982 might total around 670,000 tons, a 13 per cent rise from 1981. Domestic use was not expected to exceed the preceding year's 301,000 tons. Purchases of skimmed milk powder by the Commodity Credit Corporation (CCC) had been running well ahead of year-earlier levels this

spring and by 18 June uncommitted government stocks had risen to 483,852 tons. By year's end United States stocks (mostly held by CCC) were projected to accumulate to 605,000 tons, about double the annual domestic use and one half of total world stocks. Exports of skimmed milk powder in 1981 at 140,000 tons had been up sharply from year-earlier levels. CCC exports to Mexico and Poland were 52,000 tons and food relief 58,000 tons. For 1982, Mexico was expected to take 35,000 tons and Poland around 10,000 tons of CCC inventories. With food relief exports only a little above 1981, the total amount of skimmed milk powder exported in 1982 might be around 130,000 tons.

15. The representative of the United States informed the Committee that various means of disposing of surplus stocks were under consideration. Her country was attempting to use more skimmed milk powder for animal feed purposes and for the preparation of corn-soya-milk mixtures. The Secretary of Agriculture had proposed new legislative authority that would facilitate donations for aid purposes, by allowing for direct transfers of stocks held by the Commodity Credit Corporation to voluntary agencies, without having to go through purchasing programmes. She stressed that the United States had tried so far to behave responsibly with regard to commercial exports, and that it would continue to do so in order not to disturb the world market.

16. The representative of the EEC underlined the concern caused by the increasingly high level of United States stocks of dairy products. With respect to exports already carried out, the United States had adopted a responsible policy and it was to be hoped that that country would continue to endeavour to avoid any disruption of the international market.

17. In reply, the representative of the United States said that his country would respect its obligations under the International Dairy Arrangement.

18. The representative of Sweden said that following increased deliveries of milk to dairies, output of skimmed milk powder could be up in 1982. Production of whole milk powder, which was low, could also rise somewhat in 1982.

19. The representative of Finland estimated that production of skimmed milk powder would decline somewhat in 1982. With regard to whole milk powder, production might decrease to reach 23,000 to 25,000 tons in 1982 as compared to 28,000 tons in 1981. Exports exclusively to the USSR could also drop back to between 22,000 and 24,000 tons in 1982, as against 28,000 in 1981.

20. The representative of South Africa said that skimmed milk powder production could show a decrease in the second quarter of 1982 and for that same period imports were forecast as nil.

21. The representative of Poland said that total imports of skimmed milk powder, mainly from the United States, had increased substantially in 1981, while exports had dropped back considerably.

22. The representative of New Zealand said that his country intended to reduce production of skimmed milk powder in 1982. Export prices for the first half of 1982 had been US\$1,060 per ton f.a.s., but currently the market was experiencing some marginally stronger price competition, notably from Canada and from EEC supplies prefixed at earlier export restitutions. At present, the market tone was nervous, but prices should return to the level of US\$1,050 per ton in the near future. With regard to whole milk

powder, he said that export demand continued to be buoyant and prices remained at around US\$1,475 per metric ton f.o.b.

23. The representative of Japan said that in 1981 imports of skimmed milk powder for animal feed had dropped back to some 60,000 tons, as against approximately 79,000 tons in 1980. That reduction was attributable to high prices of skimmed milk powder in relation to other proteins used in animal feed.

24. The representative of Hungary said that production and consumption of skimmed milk powder in 1982 were forecast to continue at approximately the same level as in 1981. Several thousand tons of skimmed milk powder might be exported in 1982, while imports were likely to be nil. With respect to whole milk powder, production went exclusively to domestic consumption.

25. The representative of Australia estimated that in the 1981/82 season, production of skimmed milk powder and butter milk powder would reach 89,300 tons, an increase of some 18 per cent on 1980/81 partly due to the decrease in casein production. Exports of skimmed milk powder and butter-milk powder in 1981/82 were forecast to reach three times the previous year's level and total some 45,000 tons. With regard to whole milk powder, production in 1981/82 would amount to 57,900 tons, a decrease of 15 per cent on 1980/81. Exports would reach 48,000 tons in 1981/82, a decrease of 4 per cent on 1980/81. His delegation had likewise been informed of recent prices in the vicinity of US\$940 per ton f.o.b. for Canadian exports of skimmed milk powder.

26. The observer of Canada said that production of skimmed milk powder had increased sharply in the first quarter of 1982 due to increased availability of milk. Exports of skimmed milk powder had also increased significantly in

the first quarter of 1982. According to his information, international prices of skimmed milk powder were slightly below US\$1,000 per ton. In his view, recent appreciation of the United States dollar in relation to the Canadian dollar had no doubt affected the offer prices (in terms of US\$) quoted by his country.

(b) Discussion on consumption

27. As agreed at the March session, a discussion on consumption of skimmed milk powder took place in the Committee.

28. Referring to skimmed milk powder disposal, the representative of the EEC said that in addition to permanent measures, special measures could be applied to encourage disposal of skimmed milk powder in the "pig and poultry" compound feed sector, if the stock situation so required. Some 50,000 tons of skimmed milk powder were to be put on sale in the near future in the context of those special measures, with a view to reducing stocks.

29. The representative of Australia said that the internal market for skimmed milk powder had grown steadily over the past ten years and had reached a peak of 53,458 tons in 1979/80. A price concession for the domestic sale of skimmed milk powder for animal feed purposes had been removed in the following year. As a result, little skimmed milk powder had been sold for animal feed purposes and total sales in 1980/81 had decreased to 45,107 tons. It was expected that total domestic consumption of skimmed milk powder would remain unchanged in 1981/82 as compared to 1980/81 and that some modest growth would occur in 1982/83.

30. The representative of South Africa said that domestic consumption of skimmed milk powder had dropped back sharply in the first quarter of 1982 to the level of 2,975 tons. It was estimated that domestic consumption would recover in the second quarter of 1982 and reach some 5,400 tons.

31. The Committee agreed to continue to give particular attention to the trend in consumption.

Other business

Communications from the Permanent Mission of Hungary (DPC/P/W/5 and Add.1)

32. The Committee continued its examination of the Hungarian request for the processes and control measures described in document DPC/P/W/5 and Add.1 to be approved and included in the Register of Processes and Control Measures under Article 3:5 of the Protocol.

33. The Committee approved the processes and control measures described in the Hungarian request and agreed to include them in the Register of Processes and Control Measures in Annex I(c) to the Arrangement, in accordance with Article 3:5 of the Protocol. Certified copies of the text of those processes and control measures, signed by the Director-General of the CONTRACTING PARTIES to the General Agreement, will be distributed. The text will also be circulated as document L/5338.

Adoption of report to the Council

34. In accordance with Article VII:2(a) of the Arrangement and Rule 22 of the rules of procedures, the Committee adopted its report to the Council. The report, on the work at the tenth session, will be circulated as document DPC/P/13.

Establishment of graphs

35. The representative of New Zealand referred to the graphs contained in document DPC/W/19. In view of his delegation, those graphs presented serious deficiencies. Firstly, these graphs did not present a panoramic view of the criteria that should be illustrated. Secondly, they did not cover a time period which indicated the function of the minimum price. He was aware of the problems involved in formulating an acceptable methodology. He recalled that currency conversions were one of the important problems. He presented to participants an updated version of the graphs already circulated in document DPC/W/10 and showing the trend in international prices, minimum prices and support prices in major producing participants. He referred to Article 3, 3(b) of the Protocols which provided that the Committee shall have regard to the desirability of improving the relationship between the levels of the minimum prices and the dairy support levels in the major producing participants. The proposed model graphs were a genuine attempt to illustrate the situation. However, there were other possibilities. It might be possible to produce an indicative average level of support prices in the United States and in the EEC. It would be useful if such graphs were available to the participants for the next meetings of the Committees when the minimum prices would be reviewed.

36. The representative of the United States said that his country had no objection to the drawing up of such graphs. However, he stressed that the support prices of all the participants should be represented.

37. The representative of the EEC noted that all participants should furnish information regarding prices. Conversion into dollars of prices in national currencies distorted the picture given by the graphs. His delegation was having problems in comparing data because the data on which the graphs were based were not comparable.

38. The representative of Australia expressed the view that the proposed graphs were a useful tool in the analysis of the world dairy market. His country had no objection to the inclusion in the graphs of prices of all participants, if this was necessary or practicable. He recalled that his delegation had suggested certain compromises on this question. However, it had not been possible to include in the status report the graphs originally envisaged. He thanked the delegation of New Zealand for bringing these graphs before the Committee in an updated form.

39. The Chairman recalled that no solution had been found to the problems regarding comparability of data. That was why the graphs in document DPC/W/19 showed only international prices and the minimum prices fixed under the Arrangement.

Date of next session

40. In accordance with the preliminary calendar, it has been decided that the Committees will hold their eleventh sessions consecutively on 27, 28 and 29 September, subject to confirmation by the secretariat. If their work permits, the Committees will hold their sessions over two days instead of three. The session of the Committee of the Protocol Regarding Certain Milk Powders will be followed by the session of the Committee of the Protocol Regarding Certain Cheeses, then the session of the Committee of the Protocol Regarding Milk Fat.

ANNEX/ANNEXE/ANEXO

LIST OF REPRESENTATIVES - LISTE DES REPRESENTANTS
LISTA DE REPRESENTANTES

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