

GENERAL AGREEMENT ON TARIFFS AND TRADE

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

Twenty-First Session

Draft Report

Introduction

1. The Committee of the Protocol Regarding Certain Milk Powders held its twenty-first session on 25 March 1985.

Adoption of the Agenda

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

Election of the Chairman and Vice-Chairman

3. The Committee elected Mr. G.A. Stünzi (Switzerland) as the Chairman of the Committee, while no Vice-Chairman was elected.

Adoption of report on the twentieth session

4. The Committee adopted the report on its twentieth session. The report will be distributed as DPC/P/33.

Information required by the Committee

(a) Replies to Questionnaire 1

5. The Committee reviewed the replies to Questionnaire 1 and requested members who had not so far communicated such information in respect of the fourth quarter of 1984 to do so without delay. Information concerning the first quarter of 1985 was requested to be sent at the latest by 15 June 1985.

(b) Summary tables

6. The Committee had before it a document containing revised summary tables (DPC/P/W/1/Rev.22) prepared under Rule 28 of the Rules of Procedure, and covering the information furnished in tables A and B of Questionnaire 1 regarding certain milk powders. The Committee took note of document DPC/P/W/1/Rev.22.

(c) Other information

7. No other information was requested.

Review of the market situation for products covered by the Protocol

8. The representative of the EEC said that production of skimmed milk powder was 15.8 per cent lower in 1984 than in 1983. Output of whole milk powder on the other hand, was 24.7 per cent higher than in 1983. Since the bulk of EEC production of whole milk powder was destined for exports, the increase in production was channelled into exports which had slowed down in the preceding two years. The EEC was making very costly efforts for internal disposal of skimmed milk powder for animal

feed. Stocks on 14 March amounted to 440,402 tons. Internal sales of skimmed milk powder for pigs and poultry added up to 600,000 tons in 1984. Exports were expected to aggregate 287,000 tons, which showed that EEC's share of the world market increased from 22 per cent in 1983 to 31 per cent in 1984. Deliveries of food aid were also expected to be greater in 1984 as compared to their level in 1983. Prices of skimmed milk powder on the Community market were currently ECU 0.5 per 100 kg. above the intervention price. Proposals to increase the intervention price to offset the drop in the prices of fats were under active consideration, which, if accepted, would have the effect of maintaining the support prices at previous years' levels. Taking into account the present dollar exchange rate and the intervention price, export prices ranged between US\$630 and US\$650 per ton/f.o.b. If the exchange rate moved up from its present level, the EEC price would tend to approach the minimum. With respect to whole milk powder, the price situation was even more critical. As a result of the appreciation of the United States dollar the EEC was not in a position to respect the GATT minimum price as its operators were exporting whole milk powder at prices slightly below the minimum price of US\$950 per ton/f.o.b. He recalled that the level of restitutions, which were expressed in terms of ECU, had remained unchanged for a long period of time during which, however, the value of the United States dollar had appreciated considerably vis-à-vis the ECU. The minimum prices, in particular those of the whole milk powder which had been set at a higher level compared to that of skimmed milk powder and butter, required a downward adjustment. The decision by the EEC Council on the future level of prices was expected to be made in April. Consequently, some changes in restitutions were also expected to be made.

9. The representative of Australia said that production of skimmed milk powder in 1983 was 111,300 tons and it increased to 136,800 tons in 1984, i.e. by nearly 23 per cent. Imports were insignificant, but exports increased by 23 per cent to 69,800 tons in 1984. Stocks at the close of 1984 amounted to 39,100 tons. Export prices of skimmed milk powder in 25 kg. bags ranged between US\$703 and US\$724 per ton/f.o.b. With regard to the whole milk powder he said that production in 1983-84 was fairly constant at 43,000 metric tons. Imports were negligible but exports amounted 28,600 metric tons. Stocks were relatively small at

9,400 metric tons. Referring to the output of skimmed milk powder/butter milk powder in the first six months of 1984-85 season he mentioned that there was an increase of 16.6 per cent over the corresponding period of the previous year. This was due to a significant reduction in the production of casein. Estimates of production of skimmed milk powder/whole milk powder in 1984-85 indicated a level of 155,000 tons, which was 19.6 per cent higher than its level in 1983-84. Domestic consumption of these products was expected to remain stable at around 40,000 tons; while export availability was expected to be 131,600 tons, given the desirable closing stocks of 10,000 tons. Lower skimmed milk production and an increase in both domestic consumption and exports of skimmed milk powder by major producing countries had contributed to a reduction in world stocks. The recovery in world exports was largely due to increased food aid deliveries and sales of skimmed milk powder for stock feed. In the EEC, reduced production and an increase in internal consumption through special livestock feeding schemes led to an appreciable fall in the EEC surplus skimmed milk powder stock level towards the end of 1984. In the United States also there had been a significant reduction in surplus stocks, although the CCC stock levels had continued to be high and USDA sources had suggested that skimmed milk powder stocks needed to be reduced by 100,000-150,000 tons before the situation could be normalized. Export prices for skimmed milk powder were currently being quoted in the range of US\$600-650 per ton/f.o.b. Prices were reported to be under constant pressure from non-traditional suppliers. International prices for whole milk powder were in the range of US\$860-950 per ton/f.o.b.

10. The representative of Japan said that production of skimmed milk powder decreased during the period from June to August 1984, but recovered in September. Output during the period from April to January 1985 was 0.4 per cent lower than in the corresponding period of the last fiscal year. Imports were stable at the level of 90,000 tons. Due to a rise in demand resulting from the hot summer, the Livestock Industry Promotion Corporation had to release all its stocks amounting to 8,850 tons, which were subsequently replenished by importing 2,000 tons of skimmed milk powder. Average import price for 1984 was about US\$730 per ton/c.i.f. and for animal feed purposes was in the range of US\$660-720 per ton/c.i.f.

11. The representative of New Zealand informed that production of skimmed milk powder in the last quarter of 1984 amounted to 91,000 tons as compared to 85,300 tons in the corresponding period of the previous year. Certain revisions had been made to the figures supplied earlier for the first three quarters of 1984, which were reflected in document DPC/P/W/1/Rev.23. Total output, in the light of these revisions, thus added up to 226,100 tons in 1984. Stocks of skimmed milk powder had increased from 66,000 tons in the last quarter of 1984 to 71,000 tons at the end of December 1984. Exports in the last quarter of 1984 were 56,800 tons as compared to 37,800 tons in the last quarter of 1983. He admitted certain errors in the export prices reported earlier. The price of US\$799.50 per ton as reported for skimmed milk was over-stated due to an error in the value of exports to Algeria, which showed a unit value of US\$1,317 per ton. Correct figures on prices would be provided at a later stage after the errors had been rectified. Total exports of skimmed milk powder during 1984 amounted to 167,100 tons, showing an increase of 7.7 per cent over 1983. As regards the whole milk powder, he informed that production during 1984 aggregated 137,800 tons as compared to 103,800 tons in 1983, showing an increase of almost 33 per cent. Exports were 107,000 tons compared to 94,500 tons in 1983. Stocks at the end of 1984 amounted to 35,000 tons as compared to 43,000 tons at the end of last quarter. As regards prices on the international market he believed that currently the prices of skimmed milk powder for human consumption would be in the range of US\$630-650 per ton/f.o.b. and for animal feed US\$610 per ton/f.o.b. The prices of whole milk powder were estimated between US\$870 and US\$950 per ton/f.o.b., depending on the country of origin and the currency unit used.

12. In response to a question by the spokesman of the EEC, the representative of Poland confirmed that there was a positive correlation between the production of butter and the output of skimmed milk powder. While the production of butter in his country in 1984 had increased by about 11 per cent, the production of skimmed milk powder at 152,000 tons was 15.3 per cent more than in the previous year. Of the total, domestic consumption claimed 10,200 tons and exports were 40,830 tons in 1984. Two-thirds of the domestic consumption was for animal feed and

one-third for human use. Export prices in the four-quarters of 1984, respectively, were US\$682, \$664, \$643 and \$660 per ton/f.o.b. Exports prices of skimmed milk powder for animal feed averaged US\$602 in the second-quarter, US\$632 in the third-quarter and US\$637 in the fourth-quarter. The significant importers of Polish skimmed milk powder were Japan (680 tons), Bangladesh (10,195 tons), Singapore (8,000 tons), Thailand (542 tons), Egypt (1,300 tons), Syria (750 tons) and Algeria (14,000 tons).

13. The representative of Finland indicated that the output of skimmed milk powder in 1984 at 58,000 metric tons was almost 16 per cent less than in 1983. The output of whole milk powder, however, showed an increase of 24 per cent to a level of 31,000 metric tons in 1984. Exports amounted to 30,000 metric tons, showing an increase of 20 per cent over the year. In 1985, production of both the whole milk powder and skimmed milk powder was expected to edge higher than in 1984. Average export prices of skimmed milk powder were US\$671 per ton and for whole milk powder were US\$1,055 per ton/f.o.b., and in 1985 they were expected to remain well above the minimum prices.

14. The representative of Norway mentioned that the production of skimmed milk powder in 1984 was 7,315 tons, which showed a decline of almost 32 per cent over the year. Exports fell by 85 per cent to a level of 721 tons in 1984. There were practically no exports in the first two months of 1985. Stocks had been reduced considerably from 2,400 tons at the end of December 1983 to 950 tons at the end of December 1984. Since there were no exports, export prices could not be indicated. With regard to the whole milk powder he said that production in 1984 was approximately 1,100 tons, all of which was sold domestically.

15. The representative of Sweden observed that production of skimmed milk powder in 1984 was up by 8,400 tons to a level of 61,200 tons, while consumption went down by 600 tons to a level of 29,700 tons. Exports dropped by almost 8 per cent to a level of 28,900 tons, while imports fell by 11 per cent. Stocks at the end of 1984 were up by 3,500 tons compared to the level at the end of 1983. Production estimates for 1985 indicated no change over the previous year. Exports of skimmed milk powder in January-February this year added up to 4,700 tons at an average price of US\$610 per ton/f.o.b. in the month of March.

16. The observer of Canada said that while production of skimmed milk powder increased by 7 per cent to 129,900 tons in 1984, exports had dropped by 31 per cent to a level of 70,000 tons. Domestic disappearance at 65,900 tons in 1984 meant a considerable depletion of stocks, which stood at their lowest level of 20,500 tons at the end of 1984.

Other business

Communication from the Swiss delegation (DPC/P/W/26)

17. Referring to the communication circulated in document DPC/P/W/26, the representative of Switzerland informed the Committee that his authorities had given notice of their intention, in terms of Article 3:5 of the Protocol Regarding Certain Milk Powders, to export 2,400 tons of skimmed milk powder for the purposes of animal feed. By 21 March 1985, his country had exported 400 tons mostly at an average price of US\$620 per ton/f.o.b. and 1,100 tons was to be exported soon to Spain where it would be denatured and used for stock feed. The remaining quantities were destined for certain East Asian countries at prices higher than US\$600 per ton/f.o.b.

Communication from the Permanent Mission of New Zealand (DPC/P/W/28)

18. The Committee also noted that, in accordance with Article 3:5 of the Protocol Regarding Certain Milk Powders, New Zealand had contracted to export 3,006 tons of milk powders to Spain at an average price of US\$458 per ton/f.o.b. The delivery was expected to be completed by August 1985.

Report to the Council

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

Date of the next session

20. In accordance with the preliminary time table adopted at their twentieth Session the Committees decided to hold their next regular sessions on 17 to 19 June 1985, subject to confirmation by the secretariat.