

GENERAL AGREEMENT ON TARIFFS AND TRADE

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

Twenty-Second Session

Draft Report

Introduction

1. The Committee of the Protocol Regarding Certain Milk Powders held its twenty-second session on 18 June 1985.

Adoption of the agenda

2. The Committee adopted the following agenda:
1. Adoption of report of the twenty-first session
 2. Information required by the Committee
 - (a) Replies to questionnaire 1
 - (b) Summary tables
 - (c) Other information
 3. Review of the market situation for products covered by the Protocol
 4. Adoption of report to the Council
 5. Communication from the Permanent Mission of Poland
 6. Adjustment of minimum prices according to exchange rate fluctuations
 7. Date of next session

Adoption of report of the Twenty-First session

3. The Committee adopted the report of its twenty-first session. This was distributed as document DPC/P/35.

Information required by the Committee

(a) Replies to questionnaire 1

4. The Committee reviewed the replies to questionnaire 1 and requested members who had not communicated such information in respect of the first quarter of 1985 to do so without further delay. Participants were also reminded in respect of their obligation to submit information concerning the second quarter of 1985 by 15 September at the latest.

(b) Summary tables

5. The Committee had before it summary tables based on the information provided by participants in tables A and B of questionnaire 1 regarding skimmed milk powder and whole milk powder. The Committee took note of document DPC/P/W/1/Rev.24.

(c) Other information

6. No additional information was requested or provided.

Review of the market situation for products covered by the Protocol

7. The representative of Switzerland confirmed the decision of his Government that there would be no change in the producer price for milk, nor would there be an increase in the price supplements on imported cheese despite the increase in prices of domestic cheese. In addition, there would be no changes in the price supplements on imported oils and fats. In regard to the sales of skimmed milk powder below the GATT minimum price level (DPC/P/W/26), he indicated that a total quantity of 809 tons had been sold to Spain at a price between US\$537-850 per ton/f.o.b. and 90 tons to Portugal at a price of US\$544 per ton/f.o.b.

The bulk of the sales had been made in the months of March and April and was expected to reach a total level of 2,500 tons. Most of the powder, i.e. 1,600 tons, had been sold at prices above the minimum price. As the powder had been intended for animal feed, it had been denatured. He mentioned that production of skimmed milk powder was continuing at a relatively high level. It was expected to aggregate 12,000 tons in the second quarter and 9,000 tons in the third quarter of 1985. Currently, the level of stocks at 15,000 tons was a source of serious concern and solutions were being considered to dispose of them.

8. The representative of the EEC congratulated Switzerland for having been able to sell skimmed milk powder for animal feed at relatively higher prices than those obtained by the United States for the similar product from Spain and Portugal. He, however, remarked that it would be difficult for Spain to import from Switzerland after the end of 1985 for well-known reasons.

9. The representative of Sweden indicated that the production of skimmed milk powder had declined by 200 tons or by 1 per cent in the first quarter of 1985 compared to the corresponding period of last year. Estimates for 1985 suggested that production would be slightly below last year's level. Domestic consumption of skimmed milk powder had, however, increased during the first quarter of 1985 by about 1,500 tons compared to the level in the corresponding period of last year. While imports had remained more or less the same in the first quarter, exports had shown an increase by 1,900 tons compared to their level in the corresponding period of the previous year. Average export prices were estimated to be around US\$650 per ton/f.o.b.

10. The representative of Norway said that production of skimmed milk powder in the first quarter of 1985 was about 7 per cent less than in the corresponding period of last year and was estimated to be lower for the whole year in comparison with the previous year. Export prices could not be indicated since no exports were being made by Norway.

11. The representative of Finland mentioned that the figures of exports had been somewhat revised in May, so that exports of whole milk powder had been adjusted upwards from 28.5 million kg. to 33.5 million kg. and exports of skimmed milk powder were now estimated to be 16.5 million kg. instead of 17.0 million kg. The reasons for these revisions were respectively increased export opportunities to the USSR market and a difficult situation on the dairy market. Sales amounting to 3 million kg. were made to the USSR market at prices slightly below US\$900 per metric ton/f.o.b. for whole milk powder. In the first quarter of 1985, export prices for whole milk powder averaged US\$923,4 per metric ton/f.o.b. and skimmed milk powder US\$630 per metric ton/f.o.b.

12. The representative of New Zealand said that production of skimmed milk powder during the 1984-85 season was up by 1.6 per cent, while that of whole milk powder was 3.5 per cent higher than in the previous year. With the recent decline in the value of the US dollar and a substantial reduction in the EEC skimmed milk powder stocks, the market prices had firmed up. The skimmed milk powder f.o.b. prices were currently in the range of US\$670-700. The pricing of whole milk powder in the range of US\$870-900/f.o.b. reported in the last quarter was no longer holding, following the current weakening of the US dollar, and currently prices were around US\$920-960.

13. The representative of Japan observed that imports of skimmed milk powder in recent years had remained stable at around 90,000 tons. In 1984, skimmed milk imports for human consumption showed a small drop. The LIPC imported 8,000 tons of skimmed milk powder for its stock operations. Average import price of skimmed milk for human consumption in April 1985 was US\$766 per ton/c.i.f., while that for animal feed was US\$714 per ton/c.i.f.

14. The representative of Hungary stated that the production of skimmed milk powder was in excess of domestic demand. In the first quarter of 1985, however, production had dropped from 6,900 tons to 4,100 tons, i.e. by almost 40 per cent. Domestic consumption during the same period had similarly dropped from 7,000 tons to 4,500 tons. A total of 300 tons was imported from Austria at around GATT minimum prices.

15. The representative of Australia indicated that the total production of skimmed milk/butter milk powder for the July-March 1984/85 period was 15.5 per cent higher than in the corresponding period a year earlier. This was due to a significant reduction in the production of casein. Estimated production of skimmed milk/butter milk powders for 1984/85 was 152,000 tons, which was 17.2 per cent greater than their level in 1983/84. Export availability of skimmed milk/butter milk powders was expected to be 130,000 tons, given the desirable closing stocks of 10,000 tons. The surplus stock levels of skimmed milk powder in the EEC and the United States, while still too high, had been greatly reduced compared to mid-1984 levels. This had been brought about by a combination of reduced production and increased demand. Much of the increased demand had been brought about by skimmed milk powder being used for stock feed and foreign aid programmes. She indicated that export prices on international markets had remained stable in the range of US\$630-650 per ton/f.o.b. with stock feed representing the lower end of the range. With regard to the whole milk powder, she said that production in the period from July to March 1984/85 was 1.1 per cent up on the level of production for the corresponding period in the previous season. Due to increased export orders for whole milk powder in early 1985, the Australian Dairy Corporation estimates for production were expected to be marginally above the 1983/84 level. Export availability was anticipated to be around 34,000 tons, given the objective closing stocks of 7,000 tons. In regard to prices, she observed that as a result of a stagnation in world demand for whole milk powder in early 1985, the international prices were at, or below, the previous GATT minimum of US\$950 down to US\$920 per ton/f.o.b. Prices were expected to recede further as a result of an increase in the EEC export refunds with effect from 19 June 1985.

16. The representative of New Zealand, however, expressed his doubts concerning the prices quoted by Australia in the range of US\$630-650 for skimmed milk powders. In his view, these were too low and did not correspond with the price range of US\$670-700 he had quoted earlier. It appeared that Australia had included the East European sales in the

calculation of this price range. The fact was, that prices were tending to stabilize at the level of US\$680 and one of the reasons for this stability was the European Community's commitment regarding internal disposals in the form of stock feed for poultry and pig production. He, therefore, did not share the Australian view that prices would be falling to the extent indicated, at least in the short term.

17. The representative of the EEC informed the Committee that stocks of skimmed milk powder as of 13 June 1985 had totalled 390,827 tons. Sales of skimmed milk powder at greatly reduced prices in the pig and poultry sector had contributed to the reduction in stocks. The EEC was endeavouring to dispose of dairy products on the internal market at considerable budgetary sacrifice in order to avoid disrupting the international market. There had been no increase in the refund on exports of skimmed milk powder and the market situation was healthy. Community operators were currently exporting skimmed milk powder at prices of US\$700 per ton/f.o.b. or higher. With respect to whole milk powder, the refund would be raised from ECU 101.16 per 100 kg. to ECU 108.13 per 100 kg. on 19 June 1985. Community operators were currently exporting whole milk powder at US\$850 per ton/f.o.b. The Community supplied 70 per cent of the export market with whole milk powder, and wished to retain that market share.

18. The observer of Canada said that industrial dairy production in 1985 calendar year was expected to decline by about 4 per cent, and the downtrend could continue into 1986. As regards the production of skimmed milk powder, the level was expected to remain more or less the same as in 1983-84. Exports were also likely to remain unchanged.

Adoption of Report to the Council

19. In pursuance of Article VII:1(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committee adopted its report to the Council on the work of the current session; the report was later distributed as document DPC/P/36.

Communication from the Permanent Mission of Poland (DPC/P/W/29 and Add.1)

20. The Committee noted that, in accordance with Article 3:5 of the Protocol Regarding Certain Milk Powders, Poland had contracted to export 3,232 metric tons of skimmed milk powder for animal feed.

Adjustment of minimum prices according to exchange rate fluctuations

21. A preliminary exchange of views took place on this subject at a joint meeting of the three Protocol Committees (see paragraph 21-29 in the report of the Committee of the Protocol Regarding Certain Cheeses).

Date of the next session

22. In accordance with the preliminary time-table adopted at their twentieth session, the Committees decided to hold their next regular sessions on 23 to 25 September 1985, subject to confirmation by the secretariat.