

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(85)5

4 February 1985

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

Twentieth Session

Draft Report

Introduction

1. The Committee of the Protocol Regarding Certain Milk Powders held its twentieth session on 17 December 1984.

Adoption of the Agenda

2. The Committee adopted the following agenda:
 1. Adoption of report on the nineteenth 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. Observance of minimum prices with respect to tenders requiring quotations other than in United States dollars
 5. Adoption of report to the Council
 6. Other business

Adoption of report on the nineteenth session

3. The Committee adopted the report on its nineteenth session. Australia communicated an amendment. The report will be distributed as document DPC/P/31.

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 for the third quarter of 1984 to do so without delay. In addition, it was pointed out that replies to Questionnaire 1 relating to the fourth quarter of 1984 should reach the secretariat not later than 15 March 1985.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/P/W/1/Rev.20) prepared in conformity with Rule 28 of the Rules of Procedure and reproducing the information furnished 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.20.

(c) Other information

6. Members of the Committee were reminded that in accordance with the Resolution adopted by the Council on 16 November 1984 (DPC/13), the provisions of Article 4 of the Protocol should be implemented.

Review of the market situation for products covered by the Protocol

7. The representative of the EEC said that milk production and deliveries to dairies in 1984 could be down by 2.8 per cent and 2.6 per cent

respectively in relation to 1983. The dairy herd could show a decline by 4.2 per cent in 1984 from the preceding year's level. Consumption of fresh milk products (liquid milk, dessert creams, yoghurts, etc.) could be relatively stable in 1984 in relation to 1983. Output of skimmed milk powder in 1984 was forecast to be 14.5 per cent below the 1983 level. The EEC was making very costly efforts for internal disposal of skimmed milk powder for animal feed. As a result of those financial efforts, it was expected that some 600,000 tons would have been utilized in the pig and poultry sector in 1984. Due to successful cut-price sales in that sector, stocks had declined and at 13 December 1984 had totalled 696,920 tons. They were expected to be at a level around 650,000 tons at 31 December 1984. Prices of skimmed milk powder on the Community market were currently ECU 0.5 per 100 kg. above the intervention price. Community operators could export skimmed milk powder at prices not lower than US\$660 per ton f.o.b. With respect to whole milk powder, output could show an increase by 21 per cent in 1984 in relation to 1983. Community operators could export whole milk powder at prices between US\$960 and US\$1,000 per ton f.o.b.

8. The representative of Australia said that milk production in the July-September quarter at 1,477 million litres had been 2.2 per cent down on the corresponding period in the 1983/84 season. It was considered that the decrease was due to a number of factors, including a return to more normal seasonal conditions, higher milk production in the previous season arising from farmer anticipation of the introduction of entitlements and adverse export prospects for the 1984/85 season which would reduce farm returns. Milk production for the 1984/85 season was estimated at 5,900 million litres which was marginally down on the 1983/84 level. She said that total skimmed milk powder/buttermilk powder production in the period under review had been up 15.1 per cent on the previous year, due to a significant decrease in the production of casein. Production of skimmed milk powder/buttermilk powder was estimated to be 157,000 tons in 1984/85, an increase of 21 per cent over the previous year. Domestic consumption was expected to remain stable at around 36,000 tons while export availability of skimmed milk powder/buttermilk powder was expected to

be 136,600 tons given desirable closing stocks of 10,000 tons. It was expected that the international market for skimmed milk powder would remain weak throughout 1984 and early 1985 in response to the current high stock levels in the EEC and United States, and in the absence of a recovery in international market demand. Export prices for skimmed milk powder were estimated to be in the range of US\$690 to 720 per ton f.o.b. With regard to whole milk powder, production in the July-September period had been 16.7 per cent below the corresponding months in the 1983/84 season. Due to declining export orders, production of whole milk powder for 1984/85 was estimated to be down to 38,000 tons. Export availability was expected to be 28,100 tons. Prices for whole milk powder on the international market remained weak with traditional suppliers reported to be pricing in the range of US\$950-1,000 per ton f.o.b., European bulk product comprising the lower end of the range.

9. The representative of Japan said that milk production in the period April to October 1984 had been almost at the same level as the corresponding period in 1983. The demand of milk for drinking had increased by 3.5 per cent in the period June to August 1984 as compared to the corresponding period in 1983. Therefore, the supply of raw milk for processing into dairy products had decreased by 9.4 per cent in that period. With regard to skimmed milk powder, production had decreased by 14.1 per cent during the period June to August 1984 but had recovered after September. For the period April to October 1984, production had decreased by 2.6 per cent as compared to the corresponding period of 1983. The demand of skimmed milk powder had been strong in the period June to August 1984 and the Livestock Industry Promotion Corporation had sold its stocks of 8,850 tons during that period. Imports of skimmed milk powder had increased by 5.6 per cent in the period January to October 1984 as compared to the corresponding period of 1983.

10. The representative of New Zealand estimated that milk production in the 1984/85 season would decline by some 6 per cent as compared to the previous season. With regard to the product mix it was expected that

in 1984/85 butter production would drop by about 30,000 tons to 220,000 tons; skimmed milk powder production might decline to 195,000 tons as compared to 207,000 tons in 1983/84; casein production might also decline in 1984/85; cheese production might show a marginal increase to reach some 90,000 tons as compared to 84,000 tons in 1983/84; whole milk powder production might also increase slightly in 1984/85 (by about 8,000 tons). International market prices for skimmed milk powder for human consumption were currently close to US\$700 per ton f.o.b. Sales of skimmed milk powder for animal feed purposes had been recently effected at prices around US\$620 per ton f.o.b. With regard to whole milk powder, international prices were between US\$950 and US\$1,000 per ton f.o.b.

11. In reply to a question from the EEC representative, the representative of New Zealand said that the data furnished in response to Questionnaire 1 in respect of skimmed milk powder exports did not include exports of the product for animal feed. In future, New Zealand would likewise furnish the latter data, probably in the form of a footnote. Exports of skimmed milk powder for animal feed generally totalled between 20,000 and 30,000 tons annually.

12. The representative of the United States estimated that milk production for 1984 would be down 2.8 per cent as compared to 1983. The dairy herd had been cut back while reduced concentrate feeding and other management practices had lowered per cow yields. He said that the assumed price support reductions on 1 April and 1 July 1985, would result in lower receipts to producers. It was expected that production of skimmed milk powder would amount to 545,000 tons in 1984, a substantial decline on the previous year. The forecast for the production in 1985 was 525,000 tons. Exports of skimmed milk powder might increase to 296,000 tons in 1984, mainly because of more food aid. A further increase was anticipated for 1985 where exports might reach some 350,000 tons. Domestic consumption of skimmed milk powder might amount to 293,000 tons in 1984 and 298,000 tons in 1985. Stocks of skimmed milk powder at the end of 1984

were estimated to be at 590,000 tons, a significant decrease from a year earlier. It was expected that stocks would be reduced further in 1985 and would be at 468,000 tons at the end of that year.

13. The representative of Switzerland said that in the milk year running from 1 November 1983 to 31 October 1984, milk production had been about 2.7 per cent above the preceding season's level. Following that over-production, producers had been obliged to make fairly substantial slaughterings. As a result, milk output in November 1984 had been 1.7 per cent lower than one year earlier. In December 1984 and the first two or three months of 1985, production was expected to show a decline by about 2 per cent. With respect to skimmed milk powder, output was expected to increase slightly at the end of 1984 but, it was hoped, would level off in 1985. Stocks of skimmed milk powder were forecast to be around 12,000 tons at the end of 1984.

14. The representative of Sweden estimated that milk deliveries to dairies might increase by about 2 per cent in 1984 as compared to 1983. With regard to skimmed milk powder, he said that production had increased by 5,700 tons in the first nine months of 1984 as compared with the corresponding period of 1983. In the same period, total domestic consumption and exports had decreased by 2,800 tons and 9,200 tons respectively. Stocks at the end of the third quarter of 1984 had been at 18,700 tons as compared to 8,800 tons at the end of the third quarter of 1983. In November 1984, average export prices had been in the vicinity of US\$660 per ton f.o.b.

15. The representative of Norway estimated that milk production might amount to some 1,855 million litres in 1984. It was expected that skimmed milk powder production would decline in 1984.

16. The representative of Finland estimated that milk production would decline by 1 per cent in 1984. It was expected that production would show a small decline in 1985. With regard to skimmed milk powder, he said that

production and exports were declining. Finland was trying to use more skimmed milk powder in the internal market for animal feed purposes. With regard to whole milk powder, he indicated that production and exports were increasing. Exports to the USSR might increase to 30,000 tons in 1984 as compared to 25,000 tons in 1983. In the future, production of whole milk powder would be closely linked to the import demand by the USSR. In the third quarter of 1984, export prices had been around US\$1,045 per ton f.o.b.

17. The representative of South Africa said that his authorities had decided to impose temporary quotas on industrial milk production with a corresponding levy for over-production as from 1 January 1985. The collection of the special levies on milk deliveries above the quotas would form the basis for financing surplus removal of dairy products. With regard to skimmed milk powder, he estimated that production in the fourth quarter of 1984 might amount to 8,200 tons. Production for the year 1984 as a whole might show a small decrease as compared to 1983. Stocks at the end of 1984 were forecasted at 13,200 tons and were regarded as excessively high.

18. The observer of Canada said that skimmed milk powder production had declined by 8.2 per cent in the 1983/84 dairy year due to a number of factors including decreased butter production and increased utilization of surplus cream from the fluid milk sector for butter production. End of the third quarter stocks in 1984 had been the lowest since 1981 and production during the third quarter of 1984 had been slightly higher than the corresponding quarter of 1983 but still lower than any other year third quarter since 1979. Exports in the first three quarters of 1984 had amounted to 57,300 tons as compared to 71,500 tons in the corresponding period of 1983. It was estimated that production of skimmed milk powder might reach some 137,000 tons in the 1984/85 dairy year. It was anticipated that production might decline to some 127,000 tons in the 1985/86 dairy year. It was expected that domestic consumption would likely continue its gradual downward trend.

Observance of minimum prices with respect to tenders requiring quotations other than in US dollars

19. Regarding the question of observance of minimum prices with respect to tenders requiring quotations other than in US dollars, the Committee noted that no case of that kind had been reported.

Adoption of report to the Council

20. In pursuance of Article VII:2(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committee adopted its report to the Council. That report, on the Committee's work at its twentieth session, will be distributed as document DPC/P/32. In addition, the Committee agreed that a brief oral report on discussions at the current session would be made to the Council at its special session on 18 December 1984.

Other business

Communication from the Australian Permanent Mission (DPC/P/W/22)

21. Referring to the communication circulated as document DPC/P/W/22, the representative of Australia said that her delegation wished to provide further details on the sale of buttermilk powder (BMP) to Spain in accordance with Article 3:5 of the Protocol. On 18 October 1984, the Australian Dairy Corporation had issued a certificate of authority to export to an Australian trader for up to 1,500 tons of BMP to Spain for stockfeed. The BMP was to be denatured and had been sold at a price of US\$425 per ton f.o.b. The sale would be divided into a number of shipments but relevant details were not available as yet.

Communication from the Permanent Mission of Canada

22. The Committee noted that the secretariat had received a communication from Canada regarding the decision of 25 September 1984. That

communication will be distributed as DPC/P/30/Add.1 and will form part of the annex to the decision of 25 September 1984 (DPC/P/30).

Dates of next sessions

23. At the eleventh session of the Council, it had been proposed that, as for the 1984 sessions, a preliminary timetable should be established for 1985 and provisional dates approved at the December 1984 sessions of the Committees. The following dates were agreed on for 1985:

25 to 27 March 1985

- the Council meeting on 28 and (if necessary) 29 March 1985

17 to 19 June 1985

23 to 25 September 1985

- the Council meeting on 26 and (if necessary) 27 September 1985

16 to 18 December 1985.

It was agreed that, if their work permitted, the Committees could hold their sessions in two days instead of three. On the occasion of the March sessions, for which the dates of 25 to 27 March 1985 have been approved, the session of the Committee of the Protocol Regarding Milk Fat will be followed by the session of the Committee of the Protocol Regarding Certain Milk Powders and then the session of the Committee of the Protocol Regarding Certain Cheeses.