

GENERAL AGREEMENT ON

RESTRICTED

TARIFFS AND TRADE

Spec(87)40
27 July 1987

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

Thirtieth Session

Draft Report

Introduction

1. The Committee of the Protocol Regarding Certain Milk Powders held its thirtieth session on 15, 16 and 24 June 1987.

Adoption of the agenda

2. The Committee adopted the following agenda:

A. Adoption of report on the twenty-ninth session

B. Information required by the Committee:

(i) Replies to Questionnaire 1

(ii) Summary tables

(iii) Other information

C. Sales under derogations

D. Review of the market situation for products covered by the Protocol

E. Review of the level of minimum prices for milk powders

F. Report to the Council

G. Date of the next session

Adoption of report on the twenty-ninth session

3. The Committee adopted the report on its twenty-ninth session, as amended. This was distributed as document DPC/P/47.

Information required by the Committee

(i) Replies to Questionnaire 1

4. The Committee reviewed the replies to Questionnaire 1 and requested participants who had not communicated such information in respect of the first quarter of 1987 to do so without further delay. They were also requested to submit information regarding the second quarter of 1987 by 15 September 1987, at the latest.

(ii) Summary tables

5. The Committee reviewed the summary tables based on information provided by participants up to the end of 1986, which were issued in document DPC/P/W/33. It was noted that revised summary tables would be issued when data for the second quarter of 1987 would be received from all the participants.

(iii) Other information

6. The Committee took note of the statistical information which the secretariat had compiled on production, trade (including food aid), stocks and consumption of dairy products in the United States. Data related to the first quarter of 1987 and also gave forecasts for the second quarter of 1987.

7. The Committee was informed that no significant sales had been made by the United States under the new Dairy Export Incentive Program adopted in February 1987. The secretariat would, however, continue to follow closely

the future developments in this programme. The Chairman of the International Dairy Council was asked officially to communicate to the Government of the United States the concern expressed by the participants of the Arrangement regarding the disposal of dairy surpluses abroad. Thus, in a letter dated 19 June 1987, the Chairman suggested that whenever offers and sales were made under the new Dairy Export Incentive Program, care should be taken not to disrupt international trade nor to depress the prices of dairy products (DPC/W/72).

8. The Committee was also informed that, in pursuance of its desire that more information should be obtained from other international organizations regarding the effects of the Chernobyl nuclear accident and the radiation norms fixed by different countries (DPC/W/69), official contacts had so far been made with the regional representative of the FAO for more information. The information would be brought to the attention of the Committee as soon as it was made available to the secretariat. However, under GATT's Standards Code, no specific information had been received in respect of the radiation tolerance limits and a wide variety of measures adopted by different countries. The European Communities had reportedly adopted new norms in respect of the imports of dairy products, but these had not yet been notified to the secretariat. Some countries, in particular Nepal, were reported to have completely prohibited imports of milk powders from countries suspected of nuclear contamination. The secretariat would, no doubt, keep track of all these developments and bring them to the attention of the Committee when a more complete picture was available.

Sales under derogations

9. The Committee noted that no new information had been received by the secretariat since the issue of DPC/P/W/30, dated 4 October 1985.

Review of the market situation for products covered by the Protocol

10. The representative of Switzerland stated that skimmed milk powder production showed a slight decline in the first quarter of 1987. Exports amounted to 4,600 tons, while consumption was more or less stable around

5,800 tons. Stocks were slightly lower than in the corresponding period of last year. Similarly, production of whole milk powder at 3,100 tons in the first quarter of 1987 was 9 per cent lower than last year's level. Imports were about 500 tons and exports were rather insignificant. Consumption at about 3,600 tons was more or less stable at its normal quarterly levels. Average export price for skimmed milk powder was believed to be around US\$652 per ton f.o.b.

11. The representative of Sweden told the Committee that production of skimmed milk powder at 16,000 tons in the first quarter was somewhat higher than its level last year. Consumption was relatively lower, but the end-quarterly stocks at 19,400 tons were considerably higher. Average export price for extra grade quality skimmed milk powder in May 1987 was US\$855 per ton f.o.b.

12. The Norwegian delegate said that production of skimmed milk powder in the first quarter of 1987 at 3,319 tons was chiefly for domestic consumption. Only 40 tons were exported in the first quarter and no further exports were expected during the rest of the year. Stocks in the first quarter had, however, substantially gone up.

13. The delegate of Finland reported a decline in his country's production of whole milk powder, while production of skimmed milk powder had increased by 4 to 5 per cent. The market situation was, however, gloomy. Only half of the annual exports of whole milk powder (some 13,000 tons) to the Soviet Union had so far been contracted. Negotiations were going on for certain additional sales. Total exportable surplus of the whole milk powder was around 26,000 tons. Estimated average export price was in the neighbourhood of US\$970 per ton f.o.b. There were no commercial exports of skimmed milk powder this year, only some deliveries to the World Food Programme as aid. It was however, expected that about 2,000-3,000 tons would be exported during this year.

14. The representative of South Africa said that the fall in milk production was predominantly reflected in the production of skimmed milk powder, which was a balancing product in his country's dairy production.

Production in the first quarter fell by almost 60 per cent. The production of whole milk powder also showed a marked decline. As a consequence, certain quantities of both skimmed milk powder and whole milk powder had to be imported during this period.

15. The representative of Poland said that his country's exports in the first quarter of 1987 had declined due to unfavourable market conditions and a strong competition from certain non-members of the IDA. At 7,277 tons, they were only 85 per cent of their level in the corresponding period of last year.

16. The representative of New Zealand wished to make more detailed comments on the market situation under the next agenda item. At this stage he merely wished to state that production of skimmed milk powder in 1986 was 20 per cent lower than in 1985 and in the first quarter of 1987 was 32 per cent lower than in the corresponding quarter of the previous year.

17. The delegate of Japan indicated that skimmed milk powder production in the fiscal year 1986 amounted to 171,000 tons, which was 8 per cent lower than the level in 1985. Stocks were, however, substantially higher. Imports in 1986 at 91,000 tons were about 13 per cent smaller than in 1985, when the LIPC had imported an additional quantity of 8,000 tons of skimmed milk powder for human consumption to replenish its stocks. Average import price in 1986 was reckoned at US\$719 per ton c.i.f. for animal feed purposes and US\$974 per ton c.i.f. for human consumption purposes. In more recent months average prices paid were respectively US\$707-US\$732 per ton and US\$847-US\$1,067 per ton c.i.f.

18. The representative of Australia said that total skimmed milk powder/buttermilk powder production in January-March 1987 was 27,200 tons, down 2.2 per cent on the corresponding period in 1986 when it was 27,800 tons, while production of skimmed milk powder during this period amounted to 25,400 tons and was 2.5 per cent down on the corresponding level of the previous year. The output of buttermilk powder was 1,800 tons, which was 7 per cent more than its last year's level. Total skimmed milk/buttermilk

powder production in July 1986-March 1987 was 121,000 tons, which was 1.9 per cent down on the corresponding period in 1985/86. Output of skimmed milk powder in July-March 1986/87 was 113,500 tons as against 116,011 tons in July-March 1985/86, showing a decline of 2.2 per cent. Output of buttermilk powder July-March 1986/87 was 7,600 tons as against the July-March 1985/86 production level of 7,300 tons, showing a rise of 4.1 per cent. The forecast for skimmed milk/buttermilk powder production in July-June 1986/87 was 133,000 tons, which would be marginally more than the level of 132,700 tons in 1985/86. Of this skimmed milk powder would be 125,000 tons as against 124,800 tons in 1985/86 and buttermilk powder 8,000 tons as against 7,900 tons in 1985/86. The decline in skimmed milk production was attributable to the drop in butter production due to the movement of product mix from butter to cheese and whole milk production. Exports in 1986/87 were forecast at about 84,500 tons, of which skimmed milk would be 80,000 tons and buttermilk powder 4,500 tons. Exports in July-March 1986/87 were 63,500 tons of which skimmed milk exports were 59,100 tons and buttermilk 4,400 tons. Domestic sales of skimmed milk/buttermilk powder were expected to increase marginally from 39,200 tons in 1985/86 to about 39,500 tons in 1986/87. As regards the whole milk powder, production in January-March 1987 was 20,500 tons, 14.7 per cent up on the corresponding period in 1986. Output during July 1986-March 1987 was 60,300 tons, which was 22.3 per cent higher than the level of 49,300 tons in the corresponding period in 1985/86. In 1986/87 it was forecast to rise by about 24.8 per cent from 52,100 tons to 65,000 tons, in response to an increase in export orders. Exports in 1986/87 were forecast at 49,000 tons as against 40,700 tons in 1985/86. Exports over July-March 1986/87 were 32,000 tons. Domestic sales of whole milk powder were expected to increase by 17.6 per cent from 9,400 tons in 1985/86 to around 11,000 tons in 1986/87. Referring to the world situation, he said that the international market for skimmed milk powder remained firm. Current prices for skimmed milk powder had strengthened in the period under review in the range of US\$800-US\$850 per ton f.o.b. In view of the fact that Australian skimmed milk production for the remainder of the 1986/87 season was fully committed it was expected that skimmed milk powder supply would remain

tight through 1987. New Zealand was reported to be experiencing a similar situation and under those circumstances there was a clear opportunity for a further strengthening in international prices. The world situation with regard to whole milk powder was that prices quoted were in the range of US\$950-US\$1,050 per ton f.o.b., indicating that the market was continuing to remain firm.

19. The spokesman of the EC said that production of skimmed milk powder was expected to fall from 2.1 million tons in 1986 to 1.7 million tons in 1987 or by 20 per cent. The output of whole milk powder was likely to increase from 738 thousand tons in 1986 to 759 thousand tons in 1987. Stocks on 11 June 1987 aggregated 790 thousand tons in public store. From March up to 30 August 1987, only 40 thousand tons of skimmed milk powder was taken into the intervention stocks, since under the new EC regulations the intervention had to be suspended once the total reached a quantity of 100,000 tons. Prices registered on the export markets for skimmed milk powder were in the range of US\$770-US\$830 per ton f.o.b. and for whole milk powder from US\$900 to US\$950 per ton f.o.b. Answering the Australian question of whether a decline in EC production of skimmed milk powder would affect the stock operations and whether the existing internal disposal measures would remain in force, he said that the intervention stocks had an overall ceiling of 100,000 tons even if the production increased and the internal disposal measures, including sales for animal feed purposes, would continue in spite of heavy budgetary costs.

Review of the level of minimum prices for milk powders

20. At the request of one participant, the Committee reviewed the level of minimum prices of products covered by the Protocol, taking into account the evolution of the situation of the international market.

21. Thus, in accordance with the provisions of Article 3, paragraph 3 of the Protocol, the Committee decided that the level of minimum export prices for skimmed milk powder and buttermilk powder be modified from US\$680 to US\$765 and for whole milk powder from US\$880 to US\$900 per metric ton, f.o.b. In light of this decision, the schedule of price differentials

according to milk fat content set forth in Annex Ib of the Protocol Regarding Certain Milk Powders was consequently modified. It was agreed that the decision would take effect at noon on 25 June 1987.

22. The Committee agreed that the decision would be duly recorded in the report and would be the subject of a Procès-Verbal signed by the Director-General of the CONTRACTING PARTIES to the General Agreement, certifying the entry into force of the new minimum prices and the new schedule of price differentials.

23. The Committee also took note of the view that the whole structure of the minimum prices of all dairy products needed to be reviewed together. The most appropriate time for this purpose would be September when the three Protocol Committees would traditionally consider this question.

Report to the Council

24. In accordance with Article VII:2 of the Arrangement and Rule 22 of the Rules of Procedure, the Committee adopted its report to the Council. This was distributed in document DPC/P/48.

Date of the next session

25. The next session of the Committees will be held on 21-22 September 1987, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Certain Milk Powders will be followed by the Committee of the Protocol Regarding Milk Fat and the Committee of the Protocol Regarding Certain Cheeses.