

# GENERAL AGREEMENT ON

RESTRICTED

Spec(93)9

31 March 1993

## TARIFFS AND TRADE

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### International Dairy Arrangement

#### INTERNATIONAL DAIRY PRODUCTS COUNCIL

##### TWENTY-EIGHTH SESSION

##### Draft Report

Chairman: Mr. Jorge A. Ruiz

1. The International Dairy Products Council held its twenty-eighth session on 17 March 1993.
2. The Council adopted the following agenda:
  - A. Election of Chairman and Vice-Chairman
  - B. Admission of observers
  - C. Review of the functioning of the Arrangement
  - D. Evaluation of the situation in and outlook for the world market for dairy products
  - E. Note by the Chairman on the present meeting
  - F. Date of the next regular session.
- A. Election of Chairman and Vice-Chairman of the Council
3. In accordance with Rule 2 of the Rules of Procedure, Mr. Jorge A. Ruiz (Argentina) was elected Chairman of the Council for 1993/94 and Mr. Kim Luotonen (Finland) was re-elected Vice-Chairman.

B. Admission of observers

4. The Council welcomed the representatives of Brazil, Canada, Korea and Mexico as observers, in accordance with Rule 10 of the Rules of Procedure, which permits contracting parties which are not signatories to the Arrangement to follow the proceedings of the Council in an observer capacity.

5. As had been agreed by the Council since September 1984, the Economic Commission for Europe, FAO, OECD and UNCTAD had been invited to participate as observers at sessions of the Council. Representatives from the Economic Commission for Europe, FAO and UNCTAD were present.

C. Review of the functioning of the Arrangement

Reports of the fifty-second and the fifty-third sessions of the Committees of the Protocols

6. The Council carried out a review of the functioning of the Arrangement as required by its Article IV:1(b). For this review the Council had before it the report of the fifty-second sessions of the Committee of the Protocol Regarding Certain Milk Powders, the Committee of the Protocol Regarding Milk Fat and the Committee of the Protocol Regarding Certain Cheeses (DPC/PTL/28). A full report of these meetings had been approved recently and circulated as document DPC/PTL/29. Concerning the fifty-third sessions of the Protocol Committees, the Chairman of the Committees presented an oral report to the Council.

7. The Committee of the Protocol Regarding Certain Cheeses, the Committee of the Protocol Regarding Milk Powders and the Committee of the Protocol Regarding Milk Fat held their fifty-third sessions on 16 March 1993. Mr. Kim Luotonen (Finland) was re-elected Chairman for 1993/94.

8. After examining the replies to the questionnaires, the Committees considered the market situation for the products covered by the Protocols. Information and comments regarding milk production and dairy policies were

given in the Committees and will be recorded in the full report of the meetings.

9. The Committees noted that in 1992 world cheese production (all kinds of cheese including curd) had totalled 14.45 million tons, an increase of 1 per cent compared to the previous year. World production of skimmed milk powder decreased by 8 per cent to 3.55 million tons. World production of whole milk powder had increased to 2.27 million tons in 1991, and remained near this level in 1992. World butter and butter oil production decreased by 2.5 per cent in 1992 to a level of 7.26 million tons and was forecast to decline by a further 2 per cent in 1993, to reach 7.11 million tons.

10. World cheese consumption continued its long-term growth trend of about 2 per cent per year, and was expected to do so beyond 1993. World consumption of skimmed milk powder continued to decline in 1992, as world prices remained relatively high. Having dropped by 2 per cent in 1991, world butter consumption continued to decline in 1992. Factors contributing to the reduction in demand included reduced purchasing power in Central and Eastern Europe, dietary concerns and the recession in the Western economies.

11. In 1992, world cheese exports increased by 2 per cent to 923 thousand tons. World trade in cheese was expected to continue to grow in 1993, as import demand was forecast to remain strong. Reversing the declining trend in recent years, world exports of skimmed milk powder increased by 7.5 per cent to 860 thousand tons in 1992. Whole milk powder exports were estimated to have further risen in 1992. World butter exports continued their declining trend in 1992, falling by 3.5 per cent to 675 thousand tons. By contrast, butter exports from the United States rose sharply in 1992. The increase of United States exports was largely the result of the Dairy Export Incentive Program (DEIP) and special credit-guarantee sales to Russia. Commercial imports by Russia and the other former Soviet Republics fell to almost negligible levels.

12. World cheese stocks declined by an estimated 4 per cent during 1992, following a 3 per cent decline in 1991. In the course of 1992, world stocks of skimmed milk powder also decreased substantially from the estimated 850 thousand tons at the end of 1991. This reflected efforts to reduce production and increase exports. By the end of 1992, stocks were low in all major producing countries. World butter stocks at the beginning of 1992 were estimated at 1.07 million tons. Stocks declined by 8 per cent during 1992, to reach 988 thousand tons at year's end.

13. International Cheddar cheese prices continued to rise during 1992. For most of the cheeses covered by the Protocol, the market situation was stable with the expectation of steadily increasing demand. Prices remained well above the IDA minimum export price. World market prices for milk powders, notably for skimmed milk powder, continued to increase throughout the first three quarters of 1992, and eased only slightly in the fourth quarter. The increases were primarily due to large purchases by Mexico, Venezuela and Algeria. As regards the butter market, weak international demand led to a further drop in world prices in the first half of 1992, with few sales reported. In the second half of 1992, butter prices remained low, reportedly at or slightly above the minimum export price. International prices of anhydrous milk fat continued to weaken in 1992.

14. In the first quarter of 1993, the world market situation for milk powders and cheese continued to be characterized by strong demand and world market prices well above GATT minimum levels. In contrast, international sales opportunities for butter remained very limited, in light of reduced commercial import demand. Butter stocks remained at relatively high levels.

15. For the first quarter of 1993, the following price ranges were reported (per ton f.o.b.):

- between US\$1,725 and US\$1,920 for skimmed milk powder for human consumption;

- between US\$1,625 and US\$1,800 for whole milk powder;
- between US\$1,350 and US\$1,430 for butter;
- between US\$1,625 and US\$1,720 for anhydrous milk fat;
- between US\$1,750 and US\$2,100 for Cheddar cheese.

16. The Committees discussed the level of minimum prices for products covered by the respective Protocols. This review was initiated by an earlier proposal by New Zealand to increase the minimum prices for milk powders (DPC/PTL/W/78), which New Zealand maintained was still valid in light of the market situation. Other participants also expressed concerns about the relationship between the prices of pilot products and underlying market trends, and about the low market prices for butter. However, there was no agreement to change the minimum prices at this time. Participants stressed the importance of observing minimum prices in all transactions, including those made by observers to the Arrangement. The Committees agreed to revert to these matters at a subsequent meeting.

17. The next regular sessions of the Committees were envisaged to be held on 21 and 22 June 1993, subject to confirmation by the Secretariat.

18. The Council took note of the report on the implementation of the Protocol Regarding Certain Milk Powders, the Protocol Regarding Certain Milk Fat and the Protocol Regarding Certain Cheeses, expressing its sincere thanks to the Chairman of the Committees for his excellent work and for the reports. It also noted the comments made under this agenda item.

#### Replies to Questionnaires 4 and 5

19. The Chairman recalled that with respect to data on milk and dairy products other than those covered by the Protocols, the Secretariat had circulated an airgram on 12 February 1993, requesting annual data according to Rule 23 of the Rules of Procedure or updates on previous replies.

20. The Chairman also recalled that according to Article III of the Arrangement, and to Rules 23 and 29 of the Rules of Procedure, the full text of the inventory of measures affecting trade in dairy products should be distributed to participants at the beginning of each three-year period. The Arrangement entered its fifth three-year period of operation on 1 January 1992, and the inventory should consequently be completely revised.

21. A list of the replies to date to Questionnaires 4 and 5 is given in the Annex. The Council took note of the documentation and of the comments made.

D. Evaluation of the situation in and outlook for the world market for dairy products

22. For its traditional evaluation of the situation in and outlook for the world market for dairy products, the Council had before it various documents prepared by the Secretariat: a status report on the world market for dairy products (DPC/W/119), a note on food-aid operations relating to dairy products (DPC/W/121), and relevant statistical information (DPC/W/120, DPC/PTL/W/87, 88 and 89). Parts of the status report and the relevant statistical information had been subject to consideration in the Committees of the Protocols. Comments made in the Protocol Committees would be reflected in the report of the meetings, to be circulated in the DPC/PTL/- series.

23. The representative of South Africa reported that in June 1992, the Minister of Agriculture had appointed a committee to conduct an in-depth research into the marketing of all agricultural products falling under the Marketing Act. The recommendations of this committee had been referred to a policy evaluation committee which would advise the Minister as to their implementation. During the past year the dairy industry had implemented several of the committee's recommendations to liberalize various forms of regulation. These measures included, inter alia, the elimination of minimum producer-price procedures and the use of a stabilization fund for

the funding of surplus disposal of skimmed milk powder and butter. A proposed new Dairy Scheme was at present being considered whereby the statutory stabilization functions of the industry would in future no longer be carried out by the Dairy Board. South Africa supported a more market-related international trading system provided that the playing field was equal for all players and did not discriminate against the development needs of countries in Southern Africa. To this end, many agricultural industries, including the dairy industry, were currently in the process of replacing import control measures with tariffs independent of the outcome of the Uruguay Round. Further details would be given at the September 1993 meeting of the International Dairy Council, when the process would be completed.

24. The Council took note of the status report on the world market for dairy products (DPC/W/119), notes on food-aid operations (DPC/W/121) and on milk deliveries (DPC/W/120), and the statistical information provided, as well as the comments made under this item of the agenda.

25. The Council decided that in order to improve information on additional countries, the Secretariat should circulate the status report to all contracting parties.

E. Note by the Chairman on the present meeting

26. The Chairman presented a brief report of the Council meeting. A Note by the Chairman was subsequently distributed as L/7192.

F. Date of the next regular session

27. The next regular session of the Council is scheduled for 23 September 1993, subject to confirmation by the Secretariat.

ANNEX

Questionnaire 4

The replies to Questionnaire 4 received to date are the following:

Argentina	DPC/STAT/13/Add.43
Australia	DPC/STAT/12/Add.27
Canada	DPC/STAT/3/Add.30
Finland	DPC/STAT/9/Add.13
Hungary	DPC/STAT/1/Add.12
Japan	DPC/STAT/7/Add.13
New Zealand	DPC/STAT/10/Add.26
Norway	DPC/STAT/5/Add.13
Poland	DPC/STAT/19/Add.20
South Africa	DPC/STAT/15/Add.12
Sweden	DPC/STAT/2/Add.14
Uruguay	DPC/STAT/18/Add.33

Questionnaire 5

The replies to Questionnaire 5 received to date are the following:

Argentina	DPC/INV/5/Add.9 and Suppl.1
Australia	DPC/INV/5/Add.3 and Suppl.1
Canada	DPC/INV/5/Add.2
European Economic Community	DPC/INV/5/Add.13
Finland	DPC/INV/5/Add.7
Hungary	DPC/INV/5/Add.6
Japan	DPC/INV/5/Add.5
New Zealand	DPC/INV/5/Add.1
Norway	DPC/INV/5/Add.8
Romania	DPC/INV/5/Add.12
South Africa	DPC/INV/5/Add.4 and Suppl.1
Sweden	DPC/INV/5/Add.11
Uruguay	DPC/INV/5/Add.10