

JALMY PRODUCTS

GROUP ON DAIRY PRODUCTS

Synthèse des débats faite par le Président (F only)	--
Note for file on status - Pilot Group	--
Draft Minutes on meeting 17-20 May 1965	--
Proposed points for discussion - 1965	--
Draft working document - revision	INT(66)472/Rev.1
Proposals for general arrangement	(SECRET) INT(66)549
Report of Sub-Group	INT(67)78
Report of Sub-Group - meeting March 1967	INT(67)97

Groupe pilote des produits laitiers

SYNTHESE DES DEBATS FAITE PAR LE PRESIDENT

A L'ISSUE DE LA REUNION TENUE PAR LE GROUPE PILOTE LE 10 AVRIL 1964

1. Indépendamment de la procédure qui sera suivie, les objectifs établis sont ceux que définissent les décisions prises par les ministres en mai 1963.
2. Le groupe pilote souhaite recommander au Comité de l'agriculture de confier à un groupe de négociation la suite de l'examen des difficultés auxquelles se heurte le commerce des produits laitiers. Cette recommandation est la conséquence du fait que le groupe pilote reconnaît que ce commerce rencontre non seulement les difficultés qui se posent d'une manière générale pour les produits agricoles, mais aussi des difficultés qui lui sont propres et dont la solution peut appeler des mesures spéciales.
3. La présente recommandation est faite sans préjuger la portée ou le caractère de tout arrangement ou accord éventuel concernant les produits laitiers.
4. Les travaux futurs seront fondés dans une large mesure sur la liste des éléments à considérer au cours des négociations, qui a été établie en ce qui concerne les autres produits de base pour lesquels ont été institués des groupes de négociation. Ces listes ont uniquement pour objet de faciliter une discussion ordonnée des problèmes et n'en préjugent nullement le fond.
5. Il est à noter que le représentant de la Nouvelle-Zélande a réservé sa position quant aux possibilités de concrétiser ce concept de négociations. Les représentants de la Nouvelle-Zélande et du Danemark ont exprimé le souhait que l'évolution vraisemblable de la conjoncture de l'offre et de la demande de produits laitiers, et notamment la possibilité de déséquilibre futur, fassent l'objet d'une étude plus approfondie.

Note for file

A.K.

PILOT GROUP ON DAIRY PRODUCTS

Status as on 17 June 1964

TN.64/DP/2 16.4.1964

Report by Chairman of Pilot group on meeting of 10 April 1964. Recommends to Committee on Agriculture to form negotiating group on Dairy Products.

no document

At the meeting of Committee on Agriculture, on 29 April 1964, the Chairman suggested that the Committee take note and approve the report by the Chairman of the Pilot Group on Dairy Products. This was AGREED.

[There is no official record of this]

[TN.64/SR.4

TNC at meeting 8-10 April agreed Special Group on Cereals and Meat should present reports by end April indicating stage reached by negotiations, and that Pilot Group on Dairy Products should present report indicating list of elements for negotiating - para.4]

TN.64/28

Progress report by Chairman of TNC, to meeting at ministerial level on 5 May 1964, " ... in regard to dairy products, the Committee would not presumably wish to go further than to note that in relation to dairy products preparations had been made for the early initiation of such negotiations" (para 12).

TN.64/27

Resolution adopted by TNC on 6 May 1964 (section B); TNC notes that preparations have been made for the early initiation of such negotiations (i.e with a view to the formulation of general arrangements) on dairy products.

TN.64/SR.7

At TNC meeting of 28 May 1964, the Chairman, in reply to questions, said that the final establishment of the Dairy Group was to be decided upon at the

next meeting of the Committee on Agriculture.

If further groups on special agricultural products were to be established, the decisions were to be taken by the Trade Negotiations Committee.

GROUP ON DAIRY PRODUCTS

17 - 20 May 1965

DRAFT
AR/jc
17.5.65

Group on
Dairy Products

- 17 May a.m.

The Chairman opened the meeting and said that sixteen or more countries would participate in the Group on Dairy Products. The same procedure as that used ~~for~~ last week for ~~exercise~~ would be followed.

The representative of New Zealand pointed out that Japan was not present and requested that this country be included in the Group. The Chairman stated that Japan would be included in the Group. ^{minutes to be prepared in the afternoon} The representative of New Zealand made a statement, which was later circulated to the Group. (See statement attached).

The representative of the KEC requested that all statements should be made before questions were asked. The Chairman said that this could be done, but some questions might more logically follow each statement.

The representative of the United States said that his country's dairy policy was well-known, and thus he would be brief. He commenced by presenting the current situation. Production was expected to be up slightly. Demand was expected to increase slightly as well. The current season's surplus was likely to reach nine billion pounds, roughly last season's level. The United States support system contained two elements. The first element was the price support system itself which made mandatory price supports of between 75 and 90 per cent of parity. The ~~present~~ support level had for several years been at the minimum - 75 per cent. The second element of the support system was marketing orders. Such orders were in effect for about 50 per cent of fluid milk production. They set a minimum price which must be paid to producers. United States support prices were above world market prices, thus necessitating a control system. This system included tariffs and import quotas. In addition, there were voluntary agreements in the case of Colby cheese and frozen cream. Most exports moved under PL.480. There was also a payment-in-kind export programme through which exports were subsidized. Stocks were down somewhat, but could be expected to rise again if markets were closed.

The Group on Dairy Products had been moving in the direction of a world agreement, and the statement by the representative of New Zealand bore this out. *respect of offers, first of all, U.S. tariffs were negotiable.* On items restricted by tariffs and quotas alike, it could be argued that an offer to reduce tariffs would not constitute a meaningful offer. The extent and degree of offers that the United States would make regarding its quotas on dairy products would depend upon the offers of other countries in the Kennedy round.

The representative of Australia pointed out that the United States statement had neglected to mention "Unix" [an Australian dairy product containing butter fat and sugar, which is used in the manufacture of ice-cream]. The representative of New Zealand requested additional information concerning United States stocks. He felt that existing stocks were sufficiently low to justify more liberal quotas. The representative of the United States replied that butter stocks in April 1965 amounted to ninety-one million pounds, as compared to 437 million pounds in April 1963. It was expected that the surplus for the coming year would about equal last year's surplus of 316 million pounds. Production and consumption were expected to increase at about the same rate. The United States Government was pleased that it had been possible to reduce stocks, but it should be pointed out that any change in import restrictions might lead to increased stocks. The representative of New Zealand pointed out that the price level would determine whether or not increased imports would lead to increased stocks and asked for additional information on export subsidies. The representative of the United States said that the relationship between prices and stocks was not as simple as it might appear. His delegation would provide information on export subsidies at a later date. The representative of Australia said that there were advantages in reducing prices (of butter for example) through the use of consumer subsidies, and asked whether this might be possible in the United States. The representative of the United States took note of the request of the representative of Australia to include consumer subsidies as an element of the United States offer in the Kennedy round. The representative of Canada pointed out that the United States restriction on Canadian cheddar cheese had necessitated the granting of a waiver. The Canadian cheddar cheese did not compete with United States cheddar cheese, and it was hoped that the United States would offer a liberal increase in the quota. The representative of the United States took note of this request. In reply to a question by the representative

of the EEC, the representative of the United States said that the United States was prepared to negotiate quota increases subject to certain exceptions, and subject to Congressional approval. Congressional approval would depend upon the extent of ^{the representative would defend an offer} offers made by other governments in the Kennedy round. The representative of Denmark hoped that offers made by the United States would be meaningful.

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18.5.65
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Group on Dairy Products e - 17 May p.m.

Dairy Products

The representative of New Zealand asked if the United States export subsidies were on the basis of a flat rate or open-ended. The representative of the United States replied that United States export payments had about equalled the difference between the support price and ^{a comparison} the world price. The representative of New Zealand enquired whether the United States would be willing to consider shifting ~~the~~ support on the basis of efficient producers and some other form of assistance to less efficient producers. The representative of the United States replied that his Government contemplated tariff reductions where ^{were} tariffs applied, and was willing to include quotas where they/applied. His Government will also consider other elements in its programme, depending upon offers received. The representative of the EEC enquired as to the meaning of "competitive prices". The representative of the United States replied that commodities were sold at existing world prices. He pointed out that the United States was not a major exporter of dairy products. The representative of the United States went on in reply to various questions by the representative of the EEC. He said that dairy products, in particular dried, non-fat, skim milk, had been donated to needy persons abroad under PL 480. Title I, Non-Commercial Sales, would enter the negotiations depending upon how the group decided to proceed. If it decided to negotiate an international agreement surplus disposal would probably be included. It was true that the Commodity Credit Corporation was allowed to sell abroad at less than the support price. Congress had empowered the President to negotiate ~~tariffs~~. However, import quotas and other elements did not fall within the Délégation of Congressional Authority. Section 22 quotas could not be negotiated under the Trade Expansion Act. This prohibition was included in Section 22 and in the Trade Expansion Act. The Department of Agriculture recommended quotas following which the Tariff Commission investigated and made its recommendation to the President. The removal of section 22 quotas would require Congressional approval. In reply to a question by the representative of the United Kingdom the representative of the United States said that as the law now stood the minimum possible support level was 75 per cent of parity.

The representative of the United Kingdom said that he would give a purely factual statement of the support and protection elements of the United Kingdom. The United Kingdom was, of course, at the opposite extreme from New Zealand, not only geographically but economically, as one of the major importing countries. The United Kingdom like all other temperate countries was self-supporting in liquid milk but was a heavy importer of milk products, importing about 90 per cent of her butter, over 50 per cent of her cheese, over one third of her milk powder, and about half her sterilized cream. The United Kingdom was relatively self-supporting only in condensed milk, of which she was a small net exporter, and in fresh cream, 6 per cent of which was imported. The general policy of the United Kingdom was to provide for domestic agriculture through a guarantee relative to liquid milk consumed as such, but to offer no support for milk produced for manufacture into milk products. The net effect of this policy had been that in terms of milk equivalent the United Kingdom imported approximately 52 per cent of her milk and milk products requirements. The milk guarantee arrangements were implemented through five milk marketing boards which amongst them covered the whole of the United Kingdom. All producers who wished to sell their milk must register with their local board. A guaranteed price was determined at each annual review relating to a standard quantity of liquid milk, which represented the amount required to satisfy liquid milk requirements after allowing a sufficient reserve to ensure that liquid demand was met throughout the year. That is to say the standard quantity was somewhat higher than the actual liquid milk consumption. It was adjusted to take account of increases in liquid consumption. In 1964/65 the standard quantity was 2095 million gallons, the estimated output and disposal of milk in the UK in the same period being estimated as follows:

Liquid consumption	1738 million gallons
Total output for human consumption	2495 million gallons

The cost of the milk guarantee was at one time subvented by the Exchequer, but now no part of it whatsoever falls on the Exchequer. The Government prescribed the maximum retail prices for milk of various grades at levels which resulted, taking one year with another, in the consumer meeting the full cost of the guarantee to producers along with the cost of distributing milk for liquid consumption. Returns from milk both for liquid consumption and manufacturing purposes were pooled, and producers were paid an average price per gallon (the producer price after the reduction of standard transport charges for primary haulage). In 1964/65 this price was 3/1³d per gallon, about 91 per cent of the guaranteed price, which for that year was 3/4.85d per gallon. The guaranteed price for 1965/66 is 3/5.85d per gallon. Although there was no producer subsidy and no general consumer subsidy there was a subsidy scheme for welfare milk for expectant mothers and children under school age and a scheme for providing free milk in schools. These two schemes together cost £49 million in 1963/64, and applied to about 271 million gallons, or some 17 per cent of total liquid milk sales. The subsidies were paid by the Ministry of Health as a matter of social policy, but the dairy producer of course benefited from the increased volume of sales at the guaranteed price. Imports of butter were subject to quotas and were intended to protect traditional suppliers. For the current butter year, the size of the total quota was 420 thousand tons. Traditional supplying countries received individual country quotas. Imports of cheese and cream are admitted freely, except for imports from the eastern area. Imports of liquid milk were only admitted from the scheduled territories, roughly speaking the Commonwealth. Imports of processed milk were admitted freely from the relaxation area, restricted from the eastern area, and normally prohibited from the dollar area.

United Kingdom tariffs were low. The highest duty (cheese other than blue vein cheese) was 15 per cent. The butter duty had been suspended. There was free entry for milk products from the Commonwealth and remission on certain items in EFTA.

In reply to enquiries by the representative of New Zealand, the representative of the United Kingdom said that ~~it was true that~~ his Government did not directly support prices. However, it made other types of support payment, *(considered as the production premium)* which had ^{an} ~~the~~ effect of ^{on} ~~encouraging~~ domestic production. The United Kingdom would attempt to determine the part of general subsidies which went to the dairy industry and would make this information available. Other countries should do the same. In reply to a question by the representative of the EEC, the representative of the United Kingdom said that processed milk products were restricted from Eastern areas and prohibited from the dollar area.

The representative of the United States said that thus far only the United States had indicated what its offer might be and felt that other countries should do the same. The representative of the United Kingdom pointed out that his country was an important importer and had gone a long way toward liberalizing its import policy. Thus, the United Kingdom felt that it must await indications of what other countries were willing to do in this respect before it discussed its offer. The Chairman agreed with the representative of the United States that the terms of reference called for an indication of possible offers.

The representative of Australia said that the dairy industry was important to the Australian economy. Annual production was about 1,500 million gallons of whole milk, of which about 20 per cent was consumed in liquid form.

About 200 thousand tons of butter was produced, of which nearly half was exported. Cheese production was about 60 thousand tons, nearly half of which was exported. About 125 thousand tons of processed full cream milk product was produced, of which about one fifth was exported. Production of processed milk, skim milk, and non-fat full cream milk by-products was about 80 thousand tons, of which about 30 thousand tons were exported. Apart from tariffs there were no restrictions on imports. Butter was subject to a specific duty of 7d per pound plus a 10 per cent primage. On cheese of Emmenthal type there was a specific rate of 6d per pound. On other types of cheeses the specific duty rate was 7d per pound. Butter trade was in the hands of private merchants and not subject to control by the marketing board. Exports of butter and cheese and a number of other products were subject to regulation by an organization known as the Australian Dairy Produce Board, which was a producer-controlled body. Due to the fact that a large proportion of the butter and cheese was exported, it was necessary to introduce stabilization arrangements which would shelter the domestic producer from price fluctuations. The current five-year stabilization plan was designed to ensure a measure of economic stability to producers of butter and cheese, but not in such a manner as to cause consumer prices for these products to rise to the point where domestic consumption would be adversely affected. The stabilization arrangements were based upon a pooling or an equalization of returns from the domestic and export markets, together with a financial contribution from the Government. The receipts from these three sources were pooled and a single payment was made to the producers of butter and cheese. The market prices in Australia were now determined each year by the industry itself. The Government payment was in a sense a production subsidy, but the intent was a consumer subsidy to keep the price of butter, etc. competitive in the domestic market. The equalization system was carried out through a series of agreements made between individual butter and cheese factories and an organization known as the Dairy Produce Equalization Committee. This organization, which administered the equalization system, was a company completely outside Government jurisdiction. The receipts from exports, local sales and the Government subvention are distributed at the end of each season to factories after the deduction of operating expenses. Factories receive interim payment in the course of the year on the basis of the Equalization Committee's estimate made at the commencement of the season. To assist the Committee to make higher interim payments than would otherwise be possible, the Australian Government had since the beginning of 1957/58 underwritten a minimum final realization. This might appear to be a Government subsidy. In fact, a subsidy arising from this administrative arrangement was most unlikely because the amount underwritten by the Government was so conservative that there was no residual liability to the Government. The purpose of this underwriting provision was to enable the Committee to finance the interim payments through the banking system in order to make the interim payments often well in advance of the actual sale of the butter or cheese. Export subsidies were introduced recently on exports of processed full cream milk products on the basis of butter fat content. His Government was not in a position to make an offer at this time. Any possible offer could only be in respect of tariffs.

In reply to questions asked by the representative of New Zealand, the representative of Australia said that the consumer subsidy was fixed and that, to the extent that the subsidy had kept prices down, the subsidy had counteracted the general trend for per capita dairy product consumption to fall in all countries. In reply to a question by the representative of New Zealand, the representative of Australia said that dairy production had fallen since 1956, except for very recently. The subsidy was fixed for a period of five years, and he knew of no intention to change the level of the subsidy. In reply to questions asked by the representative of the EEC, the representative of Australia said that the impact of the subsidy had been at the rate of 5 pence per pound of butter fat, in the case of butter, and 6 pence per pound of butter fat, in the case of cheese. The present Five Year Plan did not envisage non-commercial sales; some donations had been made under the Colombo Plan.

. The representative of South Africa said that South Africa was not a major producer of dairy products. South Africa hardly ever imported more than about 10 per cent of its requirements and exports also very seldom went above that figure. There was a fixed producers' price for butter fat, cheese, milk and industrial milk. Trade prices for butter and cheese were also fixed. The Dairy Board acted as the sole buyer of butter and cheddar and would cheese from factories, and was the sole importer of these products. There was also a subsidy on butter consumed in South Africa and some specific duties on imports. A policy should be judged by its impact on the natural forces which would otherwise determine the country's position in relation to international trade. In Committee II it was shown that South Africa's dairy policy did not, either by intent or by purpose, lead to a substantial deviation from the normal pattern of international trade. As regards the type of possible offers, South Africa would find it very difficult to come forward with suggestions at this stage.

In answer to questions asked by the representative of New Zealand, the representative of South Africa said that his country was only a sporadic exporter, and that his Government acted when it saw that high exports were depressing world prices. A consumer subsidy was paid which had had the effect of increasing consumption. The Dairy Board was the sole exporter of butter, cheddar and couda cheese. He repeated that what was important was not the system itself, but rather the way in which it was carried out. The South African system had been carried out in such a way that the situation was only slightly different from what it would have been in the absence of action by the Board.

The Chairman agreed with the representative of the AEC that representatives of Government could be questioned concerning prices.

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Group on - 18 May a.m.
Dairy Products

The representative of the United Kingdom agreed that countries should, where possible, indicate offers that they might make. The Mandate did not say that they must indicate offers at this time however.

The representative of the EEC made a statement, which was later circulated to the Group. (See statement attached).

The representative of New Zealand agreed that the Group was working towards some kind of a general arrangement. The key to what the arrangement should be ~~was~~ the Minister's directive to liberalize trade and ~~ensure~~ market access. His Government did not agree that the arrangement should take a "global approach". Rather, the arrangement should deal with the effect of measures in particular markets. The "montant de soutien" would bind for each country the difference between an internationally negotiated ^{reference} price ^{and the domestic price}. He did not feel that the "montant de soutien" could be generally applied but only in some cases or in regard to some elements. The "montant de soutien" approach did not predicate any reduction of support, and thus would not increase trade as required under the Minister's mandate. The "montant de soutien" did not discriminate between various types of support, and thus had only a superficial attractiveness. The "montant de soutien" was not a true measure of access to markets. It would allow too great a possibility for escape through exceptions. Finally, he enquired how surplus disposal could be financed under the EEC approach.

The representative of the United States pointed out that there were now two proposals for an international arrangement; the EEC proposal and now New Zealand's proposal (the effect of various support measures in particular markets). The representative of New Zealand went on to explain that his Government felt that whatever the form of the arrangement it must include commitments in individual markets (covering both restrictions at the frontier and measures of support) which would fulfil the mandate of Ministers.

The representative of Canada drew a brief picture of the current status of the Canadian dairy industry. Because of relatively short, intense summers separated by protracted harsh winters that necessitated the housing and stall-feeding of dairy cattle for periods ranging from six to eight months, dairy

production was relatively high cost. Nevertheless over much of Eastern Canada the industry was the hard core of the income of most farmers despite the fact that herds were small, averaging under ten animals of lactation age. For example, in the province of Quebec, which produced about one-third of Canada's total milk supply, some 40 per cent of farmers' incomes derived from the dairy operation. In total close to 65 per cent of the farmers of Canada obtain a portion of their income from the sale of dairy products. Canada's dairy industry, and consequently certain of its dairy policies, had moved through a period of transition. Historically Canada had been an exporting country at one point exporting in excess of 300 million pounds of cheese annually, more than double the present rate of production. Concurrently butter exports rose to a peak. However increasing demand from the domestic market resulted in a decline in exports until at present only two to three per cent of total dairy production moves out of the country, compared with 38 per cent in 1900.

→ The small surpluses were in part at least a function of climatic conditions. Canada's dairy policy had been framed with this in mind while at the same time trying to avoid interference with adjustments that had been and were taking place within the industry, possibly best exemplified by the fact that between 10,000 and 15,000 dairy farmers left the farm annually. The present support programme had as its central theme a consumer subsidy programme under which in effect the Board purchased butter at the support price and resold it to Canadian consumers at a loss of some one-seventh of the price. This had over the past three years resulted in a major increase in domestic consumption of in excess of three pounds per capita. Coupled with this consumer subsidy was a price guarantee to producers of manufacturing milk on a deficiency payment basis, a feature of which was that the guarantee extended only to that portion of production used domestically. Although the support programme was protected by import controls on butter, cheddar cheese and dried skim milk, for other products the tariff was the only form of protection, and rates were not high. In recent years, Canada had been a growing market for certain imported dairy products. Domestic demand had exceeded production for many types of cheese. He was not in a position to outline a firm offer on dairy products.

The representative of Canada in answer to questions by the representative of New Zealand said that his Government was reducing consumer subsidies since it had become evident that a small increase in the price of butter would not affect consumption. The outlook for demand for dairy products in Canada appeared bright. In reply to a question by the representative of Australia the representative of Canada said that there were no butter stocks at the present time and it was hoped that they would not appear in the future. In reply to a question by the representative of the United States the representative of Canada said that consumption ~~of~~ started off at a low point with 15.8 lbs per capita and rose to slightly above 19 lbs per capita. It started off at 15.8 in 1961 and it was in 1962 that the consumer subsidy was introduced. There ~~had~~ been some substitution but entirely in the area of ice-cream. In reply to a question by the representative of Australia the representative of Canada said that he was not in a position to commit his Government to the negotiation of increased quotas. However, he pointed out that few quotas were in effect (only two types of cheese) and there were only a few total prohibitions. In reply to questions by the representative of the EEC the representative of Canada said that the cost to the Treasury of the consumer subsidy had averaged between 40 and 50 million Canadian dollars per year since the subsidy went into effect. There were subsidies on various commodities. However, starting this year, the Treasury will no longer finance subsidies since the only subsidy in effect will be on milk entering domestic market. He was not in a position to say more concerning possible Canadian offers. However, he could say that his Government envisaged some type of market-sharing. The representative of the EEC said that if only some instruments were up for negotiation, the negotiations would not be meaningful.

The representative of Denmark said that protection at the border fell into two categories: quotas and tariffs. For cheese there was a 10 per cent duty. Other products of the dairy sector were under quantitative restrictions. There was no price guarantee for producers of dairy products. Two thirds of production was exported at world prices. The Home Market Price Scheme for dairy products, which was a private scheme, was under the control of the Monopoly Control Authority. Home market prices were maintained by levies on homemarket sales. The proceeds from the levies were allotted to producers in the form of a bonus on the whole of their production offered for sale. As a rule, levies were calculated weekly as the difference between the established and approved home market price and average export prices. The levy on dairy products applied to the butter fat content in milk and milk products sold on the home market. The levy on butter was calculated as the difference between the home market price for butter established by the Monopoly Control Authority and the average export price obtained. For the remaining products in the dairy sector levies were paid in proportion to the content of butter fat. An equalization charge was levied on imports of skim milk powder. (This equalization charge had not been levied since April 1964). Skim milk powder was under a system of quantitative restrictions but subject to general open licensing. Apart from this Home Market Price Scheme some cash support had been given to agriculture. Denmark had an open mind ~~to~~ as to whether the shape of the result of the agricultural negotiations should be world-wide arrangements or something else. What was important was the fulfilment of the objective of the Ministers. This required reduction of protection and the creation of acceptable conditions of access for efficient producers to the markets of other countries and stable conditions on world markets (including the limitation of the right to use export subsidies and the stabilization of world market prices at a reasonable level which was remunerative to traditional efficient exporters). For products where protection consisted of only a tariff the problem seemed relatively simple: the offer will have to relate to the tariff. The Danish Government welcomed suggestions on what kind of offers Denmark might be expected to make for products under quotas.

In reply to questions asked by the representative of the LEC the representative of Denmark said that Denmark was an efficient producer of dairy products but that it had been necessary to protect the domestic market and resort to export subsidies since it was necessary to protect domestic producers from subsidized exports and necessary to resort to home marketing schemes to help domestic producers cover their costs which were not covered by exports. The Danish Government was considering replacing its quota system by some other system. Thus far it had reached no decision on this matter. The representative of the United States expressed the hope that Denmark would not replace its quotas with variable levies. In reply, the representative of Denmark reported that the Danish Government was examining various possibilities and had no preferences at the moment.

Group on Dairy Products - 19 May a.m.

The representative of Japan said that with a view to securing the income of farms in mountainous and upland districts, which were relatively low-income areas in Japan, the Japanese Government was pursuing policies to promote dairy farming. The consumption of liquid milk and milk products in Japan had shown an average annual increase of about 12 per cent in recent years. The level of consumption of dairy products as a whole reduced to milk equivalent rose from roughly 1.9 million tons in 1960 to a little over 3 million tons in 1964. The consumption of liquid milk, which accounted for about 60 per cent of the marketed milk, had shown an annual increase of 10 - 17 per cent while the consumption of milk products accounting for 40 per cent of marketed milk, had also registered a tendency to increase although at a somewhat slower pace compared with liquid milk. In spite of such a rapid growth in consumption, per capita consumption still remained at a very low level compared with that of Western countries. For liquid milk, it was less than one tenth, and for milk products, it was from about one fiftieth to one hundredth. This was because milk had not yet taken root in the dietary pattern of the Japanese people, whose major staple food remained to be rice. Indeed, milk in Japan was consumed as beverages, and its consumption was subject to seasonal fluctuations. Milk consumption was also greatly influenced by such unpredictable factor as weather. Consequently, in winter or in cool summer Japan had a surplus of fresh milk, which had to be transformed into milk products. Although production of fresh milk had been on the increase reflecting the increase in consumption, the production of liquid milk and milk products was very unstable, due to this peculiar consumption pattern of liquid milk. Imports of milk products rose from \$23 million in 1960 to \$33 million in 1963. The bulk of imports consisted of skimmed powdered milk, lactose and natural cheese. Three types of means of protection were in use in Japan, namely, customs duties, import quotas, and the domestic price support mechanism. Tariff rates were as follows: fresh milk, cream, and milk casein, zero duty; lactose, 10 per cent; condensed milk, 25 - 30 per cent; powdered milk, 40 - 45 per cent; butter, 45 per cent; cheese, 35 - 45 per cent; and others, including inter alia whey powder and butter milk powder, 35 per cent. The tariffs on condensed milk and some powdered milk were bound under the GATT, and the rate for skimmed

powdered milk for the school lunch programme was bound at zero. Tariffs on some of the items were temporarily reduced. The import of fresh milk, cream of less than 13 per cent fat content, lactose and natural cheese was liberalized, while trade/other ⁱⁿ ~~than~~ dairy products was subject to quota restrictions. The present system of price support, which aimed at increased production and consumption on the basis of stabilized prices of milk products, was administered under the Livestock Products Price Stabilization Law. This law covered butter, sugared condensed milk and skimmed powdered milk, which represented the great bulk of the consumption of milk. The law provided for a scheme for stabilizing the domestic prices of these three products. The floor and ceiling prices were fixed for these products. In order to stabilize their market prices within fixed price ranges, a Government Agency called the Livestock Promotion Corporation purchased the products when the market prices fell below the floor prices and resold them when the market prices rose above the ceiling prices. The primary purpose of the scheme was to achieve indirectly price stability of milk used for processed milk products through the price stability of these three basic milk products. The production of milk was now beginning to show a sign of levelling off due to the rise in prices and wages. Under the present system, however, the price of fresh milk paid to farmers and the production cost of milk products were closely linked and therefore the price of milk could not be increased without affecting prices of milk products. The Japanese Government had presented to the Parliament a bill to amend the existing Law in order to cope with the new situations. With respect to the nature of offers, if any, that his Government might make, he could only say that the matter was under study.

The representative of New Zealand enquired about the Bill to establish a Government agency which would be responsible for the importation of a large range of products as well as domestic production. The representative of Japan said that the purpose of the Bill was to guarantee a stable income to dairy producers through stable prices. Farmers would receive deficiency payments and imports would be entrusted exclusively to the new agency. It was not expected that per capita consumption would fall. In reply to a question by the Chairman, the representative of Japan said that the Bill would not result in the removal of quotas. The representative of New Zealand expressed the hope that the Bill would not have the effect of reducing access and enquired about dairy prices in Japan. The representative of Japan had no figures on milk prices, but said that the domestic price for butter was \$1.63 per kg. in 1964, compared with a c.i.f. price of 99 cents. In reply to a question by the representative of Australia, the representative of Japan said that the new legislation would not bring additional dairy products under quotas. The representative of New Zealand said that the rapid rate of economic growth in Japan would most likely ^{result in an} ~~have~~ increased demand for dairy products, and enquired whether Japan could not specialize in liquid milk, and if butter and cheese demand could be met through imports. The representative of Japan replied that his Government's policy was to provide liquid milk. However, there will certainly be an surplus of liquid milk which must be transferred into other products. Thus it was not possible to import all milk products. However, increased consumption was expected to lead to increased imports. The representative of the EEC pointed out that Japan had various instruments of protection. Did Japan expect to make offers on each of these instruments or on their global effect? The representative of Japan replied that he had nothing to add to his statement. The matter was presently under study.

The representative of the EEC said that the trend of events thus far in the Committee was not encouraging. He had expected much more concerning the indication of offers. He asked the secretariat to draw up a summary of the various instruments used by each participating country. The Chairman said that the Committee was doing the ground work for future negotiations. First of all it was necessary to identify the elements of protection and support. Secondly, it was necessary to get a picture of possible offers to be tabled on 16 September. In regard to the first point, the secretariat had distributed a document which presented, in concentrated form, the information requested. He did not feel that it was possible to do more and still stay within the schedule. Furthermore, very little could be put down concerning offers. Such a document would have the disadvantage of tying governments and

it was not likely that governments would want this. The representative of the United States agreed that the Committee had not been specific enough thus far. Additional documentation, however, was not required since a discussion would bring out the required information. The representative of Australia²¹ said that the latter of documentation had been settled in the manner the Chairman suggested earlier in the meeting. The representative of the United Kingdom said that the Committee should finish its fact-finding task as soon as possible, and move into the second part of its task, i.e. possible offers. The United Kingdom was willing to be more specific than it had thus far been. The representative of ~~the~~ New Zealand agreed with the representative of the United Kingdom. New Zealand would make a later statement concerning offers. The representative of the EEC agreed that the secretariat should not make a report at this stage. However, the Committee's work should be divided into two parts; firstly, the indication of elements of protection and support, and secondly, possible offers. The secretariat document did not include information on all products, e.g. cheese was not included. Could not governments be asked to provide this information? He realised that precise offers could not be made at this stage. However, the EEC had already gone very far and could not agree that others should not go further than they had. The Chairman agreed that it would be useful to correct and complete the secretariat document. It would be helpful if delegations could provide this information. However, it might not be possible to complete the work ~~before~~^{during} this session of the Committee. He had hoped that it would have been possible for governments to make more specific offers. However, the United Kingdom suggestion to separate the Committee's task into two parts would not help. The representative of the United Kingdom said that he would not press this point. The representative of the EEC said that it was necessary for governments to indicate whether or not they would be ready on 16 September to negotiate on only some elements or on their global effect. The representative of the United States did not think that the Committee's work should be split into two clearly defined parts. He felt that since the EEC offer was not completely clear, others should not be expected to commit themselves on each of these elements. The representative of the EEC asked whether the United States would make offers on each of the elements of its programme or rather on the global effect of its policies. The representative of the United States replied that he would like to answer this question at a later date. The Chairman said that the discussion could be considered to cover three elements; (i) the identification of elements; (ii) the presentation of possible offers and (iii) the indication of what was expected from others. The second element was the element that was presenting the problem. He could only request that delegates do what they could to improve the situation.

The representative of Australia said that he had heard one country after another say that the committee's objective was to work out ways of achieving acceptable conditions of access to world markets for agricultural products in furtherance of a significant development and expansion of world trade in such products. He had listened with great attention for explicit statements on just how these new conditions were to be achieved. Australia's dependence on agricultural exports was well known. Nearly 80 per cent of total exports were comprised of agricultural products. Some 60 per cent of total agricultural production was exported. The dairy industry was one of the major rural industries and nearly 40 per cent of total production was exported. Australia was one of the more efficient producers of dairy products in the world. Australia expected to get sufficient indication from the major importing countries - both actual and potential - to make it possible to form a judgment on the question whether worthwhile concessions were likely to be forthcoming on dairy products. Australia's position in these negotiations entitled her to make an assessment of the benefits likely to be derived from concessions in the agricultural sector. After the discussions of the past few days the Australian delegation would be unduly optimistic if it were to report to its Government that significant concessions were likely to be offered on dairy products. In fact, it may well be that rather than an improvement in world trade there could even be a further deterioration in market access and prices. In dairy products perhaps more than in most other agricultural products, countries had developed their own systems of protection and support for their own producers. Australia recognised full well that these systems which had been evolved over very many years were not likely to be dismantled overnight. It could well be unrealistic for agricultural exporters to suggest that any one single form of concession on dairy products was feasible. It would also probably be unrealistic to expect a concession on each element. The practical way of proceeding at least initially was to look at each market and see what could be done to improve trade. The form of particular concessions could then be related to the circumstances in each market. Whilst Australia would, of course, prefer to see quotas removed in those countries which afforded protection by way of quotas, it would nevertheless be considered a concession and a worthwhile concession, if the quotas were substantially increased. The U.S. had indicated a willingness to consider doing exactly this. If another country protected its industry by way

of the tariff alone it was a concession if the duties were to be reduced. If the protection was given by other methods of support combined with measures at the frontier then Australia will be looking for a concession over the whole range of the instruments of support. It may be that when the particular concessions have been identified that they can be incorporated in a global arrangement of some kind. The agricultural exporting countries must receive worthwhile concessions on agriculture to balance against the industrial concessions in their tariffs. Without such a balance of advantage the Kennedy round will have little meaning for countries such as Australia. At this stage of negotiations countries could not be expected to reveal their full negotiating coin. What a particular country may be prepared to negotiate will depend on what other countries are likely to do. But there must really be better offers than thus far. For many years Australia had favoured international co-operation in commodity trade and, where appropriate, international arrangements to stabilise world markets. It appeared that the EEC was saying not only that world arrangement was the appropriate solution but that a particular type of arrangement was the most appropriate. The EEC proposal appeared to mean that all countries, irrespective of their costs of production and their levels of support will bind the margin between an internationally negotiated price and the internal support levels. This meant that a low cost country like Australia would be expected to accept precisely the same degree of commitment as would producers in the United States and the EEC. It would seem that this system if universally accepted would mean that low cost efficient industries would have little or no chance of improving their access to world markets and sharing in the future growth of consumption in such markets. Moreover it seemed that the montant de soutien approach would introduce a greater degree of rigidity into world trade in dairy products than even at present. Australia could not accept that the mere binding of existing levels of support would represent any real concession as called for in the Ministerial resolution of May 1963. Then there was a problem of negotiating world reference prices. Australia would continue to seek prices at levels which would ensure remunerative returns to efficient producers. However in the case of dairy products Australia saw practical difficulties in negotiating international prices, but was willing to sit down with other countries to see what could be worked out. What Australia was looking for was worthwhile, tangible evidence of improved access and prices for dairy products in import markets. Australia was not prepared to accept that there was any value in a mere exchange of intangible and rather nebulous undertakings that offered no apparent prospect of expansion of world trade in dairy products. Australia was looking for a more forthcoming

approach than had so far been seen. If this involved informal exchanges between some of the major suppliers and markets this might be a good way to proceed.

In reply to a question by the representative of the EEC the representative of Australia said that a reduction and binding of the montant de soutien would have to be tied to a guarantee of access if it were to be a meaningful offer. He asked the representative of the EEC whether or not this was their intention. The representative of the EEC replied that he had nothing to say on this point at the present time. The representative of New Zealand said that he supported the Australian statement.

The representative of Sweden said that as regards dairy products the same objectives were pertinent and the same support and import controls were valid as for agricultural products generally. Import control was achieved through the use of import levies. His Government was ready to attempt over the long-term to produce something less than 100 per cent of dairy product needs. Sweden had a high wage level and short hours in industry and that necessarily had an impact on agriculture. The relative importance of agriculture to the national economy had declined very steadily, and the share of agriculture in the gross national product represented now only about 4 to 5 per cent. The proportion of the entire population engaged in agriculture had diminished recently at a rate of 3 to 4 per cent a year and was now at a rate of 8 to 9 per cent. Production had undergone stagnation during the last decade. Compared with pre-war, production, in constant prices, had slightly increased, it ^{was} true, by about 5 per cent, but production per capita had decreased by about 7 per cent. The total average production calculated in calories for the last decade was estimated to be 96 per cent of domestic requirements. The price support system provided for the free fluctuation of domestic prices in accordance with the market situation but within pre-determined limits on either side of so-called "middle prices". The "middle prices" were wholesale prices relating to closely specified domestic market quotations, and were fixed at a level which gave the farmer the desired income level. These "middle prices" served only as an instrument for fixing the import levies. The gap between the "middle prices" and world market prices was met by import levies. These levies were in principle kept unchanged as long as the domestic prices remained within the pre-determined price limits. They could, however, be modified subject to special safeguards. The world market prices referred to were based on specified leading foreign quotations. As long as domestic prices remained within specified limits imports of agricultural products were in principle free. If, however, domestic prices went below or above the pre-determined limits the Government was entitled to take counter-measures, including changes in import levies and the introduction of measures, including changes in import levies and the introduction of quantitative import or export restrictions. Butter prices were kept down by a subvention on milk and by keeping a stable price of margarine. Sweden imported more cheese than it exported. Trade in other dairy products was not very great. The Swedish Government was studying possible offers. One offer might be, for instance, to what extent it would be possible to change the relationship between the income of industrial workers and farmers.

The representative of New Zealand pointed out that Sweden was a net exporter of dairy products and asked how this was reconciled with the goal of being less than 100 per cent self-sufficient in dairy products. The representative of Sweden replied that the goal might not be reached for some time in the case of particular products, e.g. butter. In reply to questions by the representative of New Zealand the representative of Sweden said that its levy was a fixed levy within certain limits around the "middle price." The levy could be changed under safeguard provisions. Regarding offers, his Government was in the process of studying all forms of support and protection. In reply to a question by the Chairman the representative of Sweden said that it would not be technically possible to make offers on the levy itself but rather in the way in which it was determined. In reply to a question by the representative of the EEC the representative of Sweden said that the Swedish levy, like all levies, was for the purpose of making up the difference between the world price and the domestic price. However, the system varied from other levy systems in that the levy was changed only after a certain degree of prices changes and not more frequently than every three months. In reply to a question by the representative of New Zealand the representative of Sweden said that his Government had not decided whether or not any possible offer would have to await the results of the present study. He asked the representative of New Zealand whether or not he would consider an offer on the relationship between farm and non-farm incomes as a valid offer. The representative of New Zealand replied affirmatively. In reply to questions by the representative of the EEC, the representative of Sweden said that the levy was the most important element of support in the Swedish system. He was not talking of a binding of existing levies, but rather of a reduction. The only producer subsidy was for milk. The other subsidies were consumer subsidies.

The representative of New Zealand ^{said that the representative had} pointed out the difference between the effect of binding the montant de soutien and the effect of reducing it. The representative of Australia said that what was important was the level at which the support was bound. It was necessary to look at each case and to see what the effect on trade would be.

The representative of Poland said that dairy production in Poland in 1962 was 12,900,000 tons which placed Poland sixth among world producers. Dairy consumption per capita was high: it equalled the level in various western European countries. Butter production, 108,000 tons in 1962, placed Poland in eighth place among the world's butter producers. Her butter exports placed her in eighth place as well. However exports of both butter and cheese were low in relation to production. A Polish offer must await knowledge of what others will probably offer. His Government would look toward a ^{regularisation} ~~relaxation~~ of supply. His Government would be willing to adopt ^{its} ~~his~~ foreign trade machinery to the outcome of the Kennedy round. If the outcome were an international arrangement Poland would be glad to be a participant. His Government insisted that discriminatory treatment of Polish dairy product exports by the EEC or others must be handled within the Kennedy round. Polish agriculture was a mixture of private and state ownership. While the state owned 12 per cent of the land its importance in the field of dairy products was less important than this figure would indicate.

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In reply to a question by the representative of the United Kingdom the representative of Poland said that his country had no import restrictions and no supports for dairy products. Poland was an occasional importer of dairy products and prices were tied to the planning system and had no link with world prices. In reply to questions by the Chairman the representative of Poland said that import licences were not required. An attempt was made to equate production of needs. When production fell below needs dairy products were imported. In reply to questions by the United Kingdom ~~the~~ representative of Poland said that there was no direct relationship between domestic prices and world prices and the relationship between export prices and internal wholesale prices was not a meaningful concept in Poland. In reply to question by the representative of the EEC the representative of Poland said that his Government envisaged an international arrangement which would ~~formalise~~ ^{regularise} world supply of dairy products. Poland was willing to participate in such an arrangement and could offer assurances as to export prices and would comply with an internationally negotiated reference price. This offer would depend upon meaningful offers by others.

The representative of Switzerland said that 8 per cent of the Swiss population was in agriculture and 5 per cent of the national income was derived from agriculture. 40 - 50 per cent of the country's food needs were imported. Dairy products provided about one third of ~~foreign~~ ^{dom} income and two-thirds of agricultural exports. The price of milk was established by the Government. A national co-operative took butter that was not sold at the guaranteed price. There was also a national co-operative for cheese. Per capita consumption of milk was high. There was an import monopoly and a tax to lower the price to the consumer in the case of butter. Cheese imports were fully liberalized and Switzerland imported more cheese per capita than any other country. The three pillars of Swiss dairy products policy were the following:

- i) The Swiss market was an important market for the dairy products of other countries;
- ii) Switzerland did not try to increase its domestic production;
- iii) The maintenance of exports of dairy products was essential to the Swiss producers.

His Government felt that a solution had to take all dairy products into account

and Switzerland was willing to participate fully in an attempt to reach a solution. Switzerland favoured a general arrangement on all dairy products. His Government favoured an approach other than the montant de soutien approach, e.g. the level of imports.

In reply to a question by the representative of New Zealand the representative of Switzerland said that he had indicated the general lines of a possible Swiss offer. A firm offer would be made on 16 September. He took note of a request by the representative of Australia that Switzerland be more specific at a later stage in regard to possible offers. In reply to questions by the representative of the EEC the representative of Switzerland said that his Government had previously provided information regarding the nature and extent of export aids. High prices did not necessarily mean high protection. The montant de soutien might not indicate the total amount of protection.

The representative of Austria said that animal husbandry and milk production were essential for the Austrian agriculture. Two thirds of its output consisted of animal products; one third of crop products. Milk production had increased since 1939 by about 15 per cent, despite a reduction in cow numbers by 8 per cent. During the last few years cow numbers had levelled off or dropped further, whereas milk production had continued to rise slightly. This trend was expected to continue. The consumption of liquid milk ^{had} remained stable during the last few years; that of butter and cheese rose. Austria endeavoured to discourage butter production in favour of milk powder which finds better sales conditions on world markets; there was also a growing demand for skim milk powder for cattle raising. In recent years exports of butter fluctuated between 3,300 and 4,200 tons - i.e. 10 per cent of home production. There were also imports of butter to cover peak needs at an amount of about 1,000 tons a year. Export sales of cheese increased steadily and reached 9,700 tons in 1964, when 32 per cent of production was exported. Imports of cheese rose as well and amounted to 3,600 tons in 1964. In the same year, more than 14,000 tons of whole milk powder, that is about 80 per cent of home production, was exported. There were some imports of skim milk powder during the last two years, amounting to 1,400 and 2,100 tons respectively. The ~~important~~ policy aimed at ensuring a fairly uniform and stable level of prices for milk products for producers and consumers alike. At the same time a regular supply of products of high standard quality shall be attained. The internal price and transport equalization scheme entailed necessarily import controls. There were quantitative restrictions for all milk products except cheese. There was also an import levy system. If the tariff values of imported milk products were lower than prices of similar inland-produced goods, the importer had to pay an equalization levy; if the import prices were higher, the state paid the difference. As far as it is deemed consistent with the above-mentioned aims and as long as necessary, the Board may depart from the system of variable import levies and impose at any rate stable import levies for milk powder and other processed milk, as well as cheese. However, this levy must not exceed the tariff rates for these products. Availing itself of this authority, the Dairy Board had for many years fixed the rather low levy of 15 per cent for natural cheese which represented the bulk of imports. For special cheeses a tariff rate of 23 per cent was charged, and for individually packed cheese of a weight of 1 kg. or less an additional S 200- were to be paid. For other milk products, the following tariff rates were in force, but generally not applied, owing to the levy system:

For butter 6.8 S/kg., i.e. approx. 19 per cent incid.

For milk powder 4.75 S/kg., " 43 per cent incid.

for skim-milk powder and 23 per cent for whole milk powder

The producer price for milk delivered to the dairy was fixed by the Government and prices of other milk products were calculated on that basis. However, most types of cheese and some milk products in liquid form such as cream, cocoa drinks, etc. were no longer under price regulation. For general political and social reasons the Government provided a subsidy of about S-.59 per litre delivered milk, which was a part of the producer price of S2.30 per litre. This contribution may be considered as a consumer subsidy, as in the absence of it the consumer would have to pay this part of the producer price. From 1 January 1966 on, the State subsidy will be gradually reduced. In addition, the producers were bound to repurchase from the dairy milk products according to the quantities of milk delivered by them. In 1963, these resales of butter and cheese to the producers were 10-11 per cent of dairy production of these items. It was evident that by this measure the market situation was efficiently eased. As to the possible offers to be made by Austria on 16 September he could say very little. Owing to Austria's levy system, the montant de soutien method in principle seemed to be appropriate. The negotiation of international agreements dealing with all elements of protection and support would offer a suitable way of achieving a balance of mutual advantages and obligations. Austria's eventual offers will depend largely on what the countries whose trade in milk products is decisive for world market conditions intend to do.

The representative of the United States asked how a binding ^{for} montant de soutien would prevent an increase in domestic production. The representative of New Zealand did not believe that a binding of the montant de soutien would increase access possibilities. What was required was a reduction of existing levels of protection. The representative of Austria replied that an international arrangement could go beyond a binding of the montant de soutien and could provide for a reduction of certain measures of ~~protection~~ protection. In reply to a question by the representative of New Zealand the representative of Austria said that his Government would study the possibility of negotiating particular elements which would assure improved conditions of access. In reply to questions by the

representative of the United States the representative of Austria said that his Government would consider the possibility of replacing quota restrictions with something else. However, he did not want to go into details. The montant de soutien approach would be applicable in cases where variable levies were used. The Chairman said that the Austrian levy was less protective than the EEC levy and other elements, e.g. quota restrictions, would have to be included in the montant de soutien. The representative of Austria agreed and pointed out that the EEC's concept of the montant de soutien included more than just variable levies. The representative of the EEC said that the EEC's montant de soutien approach had been criticised for doing no more than ~~buying~~^{finding} the level of support. Actually binding the montant de soutien would assure access. If an individual country knew that other countries would bind their montant de soutien, it might be more willing to give up its quota restrictions. Binding of the montant de soutien for a period of years meant a binding of the domestic price for that period.

Various delegates discussed the present procedure regarding discussion in the groups, and offers. It was agreed to return to these matters at a later time.

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The representative of Norway said that agriculture in Norway produced in 1964 livelihood for about 13 per cent of the total population. The natural conditions for agriculture were, however, rather unfavourable, due to obvious geographic, topographic and climatic reasons. On the other hand, maintenance of a certain agriculture - farming and small farming - was essential for social, demographic and regional reasons, as well as for emergency considerations. Of the total land area of the country, only about 3 per cent was under cultivation. The most suitable type of farming, and in many cases the only suitable type of farming was generally the growing of fodder crops for conversion into livestock products. Animal production accounted for more than 70 per cent of farm income of which nearly 60 per cent stemmed from milk production. Although some regions of the country were suited for production of crops such as cereals, fruit and vegetables, the possibilities for a general shift in production was rather limited. Of the total consumption of agricultural goods Norwegian agriculture covered only some 40 per cent, which meant that there was heavy dependence upon imports of agricultural goods in general. In the last ten to fifteen years Norwegian milk production had to some extent exceeded domestic consumption, and some exports of butter and cheese had taken place. However, measures had been applied to adjust production as far as possible. The prices of feeding stuffs were kept at a very high level by means of levies to be paid into a farmers' fund, thus limiting the demand for feeding stuffs. Relatively high cereal prices were meant to induce the farmers to switch to more cereal production. The measures taken had led to a steady reduction in the number of milk cows. While previously the decline in the number of milk cows was more than offset by an increasing yield per cow, total milk production was now going down. According to forecasts this downward trend was expected to continue in the years to come. Owing to the discrepancy between farm income and the income in other sectors of the economy farm numbers during the last five years had decreased by a rate of 10 farms a day. Producer prices for milk were determined by the wholesale prices for milk and dairy products, fixed by the Government, and by the level of State subsidies granted in accordance with agreements concluded between the Government and the farmers' organisation. The State support took the form of a basic subsidy on all milk delivered, mainly intended to keep the consumer prices on a reasonable level, and thereby to maintain and if possible increase domestic consumption of dairy products. In addition, some special subsidies were granted to producers in selected regions such as mountain areas, Northern Norway, etc. Part of transportation costs involved in supplying deficit areas were also covered. Export surpluses of dairy products usually found markets at prices below

the domestic price level, and the losses involved were partly met by refunds from the farmers' fund (Feed Fund) financed by levies on feeding stuffs. No encouragement was given to exports of dairy products, and since 1958 no contributions were granted from the Treasury for disposal of surplus production. In order to achieve the income objective aimed at in Norwegian agriculture, imports of dairy products were regulated by means of tariffs and quantitative import restrictions with the aim of supplementing domestic production with supplies from abroad where necessary.

The representative of Norway said that Norway had just joined the group and wanted to watch the group's progress before indicating possible offers. In reply to a question by the representative of the EEC the representative of Norway said that his mention of reciprocity within the Kennedy round did not mean that Norway would not make offers on dairy products.

The representative of Finland said that owing to a fast technical development Finnish milk production grew considerably in the fifties. As a result of this Finland had not only been able to cover her own consumption in dairy products, but had also during the last ten years been an exporter of these products. The most important export products were butter and Emmenthal cheese. Due to climatic conditions and marketing possibilities the quantities exported had varied from one year to another, but as a whole Finland could be considered as one of the most important marginal exporters. Finland was the biggest liquid milk consumer per capita in the world. In 1963 the consumption of liquid milk was 289 kg. per capita and the butter consumption 18.8 kg. per capita. Due to the northern location and difficult climatic conditions and a short growing season agricultural producers in Finland had very little choice as to what they could produce. As a result of this milk was the most important source of income to Finnish farmers; it represented about 60 per cent of their total earnings. Therefore, a certain income level had been secured to the milk producers. The agricultural income policy was based on a system applying to the prices of the most important agricultural products and to agricultural subsidies. The main principle was that the target prices for the principal products were fixed for each crop year in such a way that the average price level of agricultural products had to change, in comparison to the price level of the base period, in the same proportion as the change in the average price level of the requisites used by agriculture, of wages and

other cost items. The price level presupposed by target prices applied only to the amounts of products produced in a defined base period. Under this system, agriculture received only the world market price for any possible increase in production. The present law on agricultural price level would expire on 1 September this year, and there were no definite plans as to what form the future price and support system would be. Various measures to increase the consumption and to decrease production of milk had been taken in recent years by the Finnish Government. The matter of Finnish offers to be tabled on 16 September was under study by the Finnish Government.

In reply to a question by the representative of the EEC the representative of Finland said that under present law quota restrictions would be maintained until 1 September 1965. It was not known what would happen after that date. The representative of the EEC suggested that the quotas be replaced by levies.

The representative of the United Kingdom said that the U.K., as a major importer of almost all milk products other than fresh cream and condensed milk, was by far the largest single market for dairy products in the world. This was dramatically shown in the Secretariat's paper circulated yesterday, which also showed how small a proportion of output enters into world trade. The U.K.'s standpoint was therefore essentially bound to be different from the standpoint of a major exporter such as New Zealand and Denmark. As a matter of practice, also, the U.K. had refrained from encouraging its own industry to produce milk for manufacture. It followed from this that the U.K. standpoint was different again from many other countries or groups of countries which accorded primacy in this field to the claims of their own producers. At first sight it might appear, on general principles, that the U.K.'s interest diverged so sharply from the interest of other countries that no commodity agreement in the field of dairy products could be acceptable to her. The U.K. interest was a consumer interest; as a matter of policy the U.K. had subordinated the producer interest to this consumer interest. Her interest was in obtaining milk products from overseas as cheaply as possible. If this principle was driven to the extreme, no agreement was possible. In fact, the U.K. had not adopted this position. The U.K. recognised that there were important points at which the interests of consumers and producers may coincide. First, there was the pervasive general benefit to be derived from a significant expansion of world trade in dairy products, a particular example of the application of the basic concept of the Ministerial Directive of May 1963. Secondly, it may be suggested that the consumer and producer interests were at one in this pursuit, at any given level of world production and trade, of stability and the avoidance of market fluctuations. Thirdly, the U.K. could entertain, within reason, the proposition that the persistence over time of a price level unremunerative to the most efficient producers will react unfavourably in the long term on the U.K. interest as consumer and as trading nation. This type of consideration led the U.K. to a position of willingness to explore, without commitment, the possibilities of an arrangement in the dairy products field. That these were not idle words aimed at producing an atmosphere of general uplift without practical consequences will be evident from the action that the U.K. took in 1962 to stabilise the butter market in the interests of her main traditional suppliers, notably New Zealand, whose economy was heavily dependant on the export of dairy products. At the same time the experience of the operation of the butter quotas, until in consultation with the main suppliers the U.K. worked out suitable relaxation procedures, had brought home to

the U.K. the painful consequences of a control scheme unless the right limits were set upon it. There had been times when the butter quota system had come ~~within~~ close to creating artificial shortages. This experience lead the U.K. to the opinion that the utmost caution and skill were needed to devise schemes which did not go beyond their legitimate purpose of encouraging an expansion of trade under sound conditions. It was all too easy for an arrangement to lapse into a scheme with the reverse effect, of leading to a contraction of trade in which a consumer was the first and most obvious victim but which in the end worked to the detriment of the producer as well. Because of the extreme complexity of the subject of the elements entering in to the negotiation, it was essential for the net of this discussion to be drawn as wide as possible. Earlier speakers had argued for a general approach on the one hand and for a product by product approach on the other. Both were right. A general approach followed from the need to remember that at the root of all milk products marketing was the production of the basic material, milk, and there was the pull, varying from country to country, between the liquid market and the dairy products market, and between one dairy product market and another. At the same time the market circumstances of the individual products varied greatly, and in terms of practical action a product by product approach was a necessity. There was no unitary market; the expression "dairy products" comprised totally different items, each competing, not with each other but with products of a totally different origin, e.g. butter with margarine and cheese with meat. The market for butter could be materially influenced by the market for oils and fats, itself a group of disparate products of different origins and sold in different market circumstances. As to the nature and type of offer which the U.K. might consider making, past actions had put the U.K. into the position of having by definition no offer to make because the limit of the possible had already been reached. The scope for concessions was limited to low tariffs and some quantitative restrictions on processed milks mainly from the dollar area. The offer will be in accordance with the agreed procedure set out in paragraph 3 b of TN.54/39/Rev.1, but must necessarily be subject to the limitations just described. The UK was also aware of the needs of the developing countries, who could be helped through well conceived world food aid programmes. Care needed to be taken to avoid the confusion that was likely to result from too simple an attempt to take the problems of food aid and the problems of international trade together, if only because this would obscure consideration of the extent to which market surpluses were due to excess production and the need to limit it. The discussion will need to range over the whole field of elements that had come up in the Cereals and Meat groups. Within this wide range the U.K. would put particular stress on the relevance, to an arrangement

geared to the fundamental purpose of expansion of world trade, of general access in all quarters for the exports of efficient producers; and within the sector generally referred to as production and trade, of the problem of uneconomic expansion of domestic production, and the related problems of export surpluses. The price question could not be tackled independently of the access question. He shared the view put forward by some delegations that the evaluation of offers must be made on the basis of the extent to which they were likely to achieve the objectives of the negotiations. In short, while participating countries must clearly put forward offers within the procedures agreed in the Trade Negotiations Committee, a single technical offer such as the montantide soutien did not appear to be generally applicable. He would be grateful if the representative of the Community would confirm that the Community's offer would relate to each of the elements which were agreed upon as entering into the negotiations.

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Group on Dairy Products - Thursday 20 May, afternoon

The representative of Denmark asked if the internationally negotiated reference price would be the minimum international price to be respected by everyone. The representative of the EEC replied that the reference price would be used as a basis for computing the montant de soutien for all those binding the montant de soutien. For others, it should be the minimum price, acceptable in international trade. Whether it would be on an FOB or CIF basis would be important. The representative of Denmark asked if it were the difference between the reference price and the threshold price which would be bound. If the reference price increased would the threshold price increase as well? The representative of the EEC replied that the threshold price would not increase since a reference price would not increase (it would be bound). An offering price above the reference price would result in a reduced levy, but would not affect the threshold price. The representative of Denmark asked if general subsidies would be bound under the montant de soutien approach. The representative of the EEC said that the montant de soutien was the difference between the reference price and the producers' remuneration. Under the EEC system, direct aids were kept at a minimum. Most, if not all, of the producers' remuneration came from the market price. Subsidies of a social nature did not enter into the calculation of the montant de soutien and were therefore not bound. The representative of Denmark asked how surplus disposal would be financed under the EEC system. The representative of the EEC said that the Community was mindful of the surplus problem. Within the framework of an international arrangement, targets for deliveries to the market would be set and individual governments would be free to determine their own production policies. No collective financing of surpluses was envisaged. Food aid would not be taken as the easy way out. More study was required before the details of surplus disposal provisions within a possible arrangement could be spelt out. The representative of Denmark said that this would mean that the financing of surplus disposals would be left to governments individually. In this regard, Denmark was not happy with the EEC's refund system. The representative of Switzerland pointed out that where protection was afforded by a tariff only the montant de soutien was equal to the tariff. In such a case how could the montant de soutien be increased? The representative of the EEC replied that the system was flexible enough to handle this. The representative of Switzerland

said that the binding of a low montant de soutien was more advantageous than the binding of a high one. The representative of the EEC said that the EEC would not be allowed to export at below the agreed reference price. Thus, the EEC could not increase its refunds beyond a certain level. In reply to questions by the Chairman, the representative of the EEC said that offers could not be made by signatories to an international arrangement at below the internationally negotiated reference price. If non-signatories made offers at below the internationally agreed reference price they would pay a higher levy. Thus, as opposed to the present system, there could be more than one levy. The representative of the United States asked whether this would be compatible with Article I of the General Agreement. The representative of the EEC replied that it might not be compatible with the present rules of GATT. Possible changes in existing rules of GATT were envisaged.

The representative of the United States asked whether the signatories to a possible world agreement would be free to use refunds if non-signatory countries sold at below the internationally-agreed reference price to other non-signatory countries. The representative of the EEC replied that for the system of work it would have to be truly international. In reply to questions by the delegate of the United States the delegate of the EEC said that ideally the present GATT rules should be tightened and strictly followed. The disposal of surpluses should not be taken as the easy way out. The problem of financing surpluses would have to be studied and could be part of an international arrangement.

In reply to a question by Australia the representative of the EEC said that the internationally negotiated reference price would be negotiated on the basis of actual prices. In reply to questions by the representative of Ireland and Switzerland, the representative of the EEC said that there would be one levy for all non-signatory countries on the basis of the lowest offering price with the exception that unrealistically low ~~offering~~ offers would be handled separately. In reply to questions ^{by} of the United States, the representative of the EEC said that a binding of the montant de soutien would bind refunds as well. Thus, in any international arrangement, the EEC would expect others to limit their subsidies. An international agreement might require some commitment concerning prior consultation for surplus disposals. The representative of Denmark said that the EEC proposal had three advantages, as follows:

- 1) the ^{reference} ~~results~~ prices was to be internationally negotiated;
- 2) all elements of support were to be ^{bound} ~~combined~~;

- 3) the threshold price was to be ^{bound} ~~combined~~
over some period of time.

However, it could not be used in the case of dairy products since it did not deal with the problem of surplus production and the resulting disposal problems. What was required was reduced production. Surplus production~~s~~ should be handled as far as possible through reduced protection. That part of surplus production which was not solvable through reduced protection should be handled by the producing countries themselves, individually after consultation.

The representative of New Zealand said that New Zealand had been pressed by the representative of the United States to explain how it envisaged a general arrangement on dairy products. New Zealand had said that the term "general arrangements" was susceptible to many interpretations. For New Zealand the starting point from which it developed its ideas on a possible general arrangement was the objective which Ministers established in May 1963 for the negotiations in all agricultural products. He could not emphasise too strongly that this was the criterion by which New Zealand would judge the efficacy of any arrangements. Because of the importance of the dairy sector in New Zealand's exports, the degree to which acceptable conditions of access for these products - new trading opportunities - were achieved will determine to a large extent the contribution New Zealand will make to negotiations in the industrial sector. As far as dairy products were concerned, it was clear from the statement made earlier that New Zealand's offer will relate to the tariff. The basis of a general arrangement for dairy products negotiated in the Kennedy Round - as with other agricultural products - was "concrete and specific offers relating to all relevant elements of support on protection as to the total effect of elements designed to achieve the objectives of Ministers" (TN.64/39 para c). New Zealand was looking forward to a series of arrangements in individual markets. The objective of these arrangements would be the creation of acceptable conditions of access in the individual markets. His Government had no dogmatic approach to the means by which this objective would be ^{reached} in particular markets. It recognised that systems of protection and support and the characteristics of the dairy sector differed from country to country. It did not favour a global approach to this question. If an importer was prepared to open quotas for dairy products or to expand significantly existing quotas, it would regard this as moving towards the objectives of the Kennedy Round. An adjustment and a binding of variable levies which would permit a freer flow of imports would be similarly regarded. These were just some of the possibilities. In other words, on this the basis of the negotiations, New Zealand's approach would be a pragmatic one - market by market. It was in this area that it expected offers from participating countries on 16 September. It recognised that there were certain special features in the international dairy trade which may require arrangements to supplement commitments on access. The extent

to which almost every country subsidised its exports had emerged very clearly from the discussions. The adverse effects on New Zealand and other traditional and economic exporters were well known. New Zealand would therefore consider that an arrangement to regulate the extent of export subsidisation of dairy products should be negotiated as part of a general arrangement. This would need to be in fairly precise terms. Some countries had, of course, already taken action to deal with the problem of subsidised supplies. If a worthwhile arrangement to limit subsidisation could be negotiated it may be that some countries which were relatively uneconomic producers of dairy products would accumulate stocks which could no longer be sold on the international commercial market. New Zealand would be prepared to work towards the negotiation of arrangements which would provide an acceptable international framework for the utilisation in developing countries of surplus dairy products. For such an arrangement to be acceptable to New Zealand it will be necessary to develop an equitable method of financing surplus utilisation. There was one other point which clearly required consideration. This was the product coverage of such a general arrangement. So far as commitments on access were concerned New Zealand would expect offers to be made on all dairy products in accordance with the across the board approach to the Kennedy Round as a whole. So far as arrangements on subsidisation and surplus utilisation were concerned, the coverage should be confined to the main dairy products entering international trade but this was a question which did not require immediate resolution. The key to successful negotiations so far as New Zealand was concerned was the provision of acceptable conditions of access. Without this it was difficult to conceive a meaningful negotiation in other areas as part of a Kennedy Round arrangement on dairy products. New Zealand did not accept the dismal view that there was no room for expanding commercial trade in dairy products. There was clearly scope for increased consumption of the major products in many industrial as well as developing countries.

New Zealand believed that relatively minor adjustments in national policies of support and protection could have a disproportionate favourable effect on international trade, and that arrangements could be negotiated which would provide the increased export opportunities sought by exporting countries without necessarily adversely affecting the interests of domestic producers.

N.Z. Could
except
over the
point of
financed
surpluses.

The representative of the United States noted the suggestions made by the representatives of New Zealand and Denmark and would report to his government. The United States was not seeking to expand its domestic production. Proof of this was that the support level was kept at the minimum. Surpluses were not thrown on the market: Surpluses were kept in stock or moved through special programmes in the United States or abroad. Binding of support was not sufficient. He hoped that the EEC would find it possible to make a more meaningful offer on 16 September.

The representative of Canada said that he shared many of the views expressed by other exporters including the EEC. He did not envisage the solution to the problems to be a freezing of protection but rather a reduction of protection and increased access. The EEC proposal did not meet these requirements.

CONFIDENTIAL
11 October 1965

PROPOSED POINTS FOR DISCUSSION
IN THE MEAT AND DAIRY GROUPS

It may be anticipated that at an early stage of the negotiations on meat and dairy products, studies will have to be made on a number of technical issues relevant to the negotiations. Both the Meat and Dairy Groups have agreed on certain elements which should be taken into consideration in the negotiations. To the extent that it will be possible to define certain areas of study there would seem to be merit in commencing this work in advance of the real negotiations after the tabling of the proposals. To this end the Groups could be convened for a meeting of one week in the course of November.

As regards the Meat Group, a joint study should be undertaken in respect of beef, on the basis of papers submitted by each delegation regarding:

1. The relevant elements of the national policies relating to beef, in particular production policies, over a representative period.
2. Factual data and projections with a view to permitting each participant to form an opinion of likely trends in production, marketings and import requirements.
 - (a) the factual data (in metric tons) should cover production, consumption, exports and imports over the past fifteen years and, if appropriate, a five-year pre-war average,
 - (b) a description and comments should be given on the trends and developments shown by the factual data,
 - (c) indications should be given about likely trends in production, consumption, imports and exports for a period up to 1970, when possible to be supplemented by indications about future plans.

As regards the Dairy Group, a joint study should be undertaken in respect of butter, on the basis of papers submitted by each delegation regarding:

1. The relevant elements of national policies including the level of returns to dairy producers, in the major exporting and importing countries, and actual prices for butter traded internationally over a representative period, means by which could be solved the problem of artificially low-priced supplies on the international market.
2. Factual data and projections with a view to permitting each participant to form an opinion of likely trends in production, marketings and import requirements,

- (a) the factual data (in metric tons) should cover production, consumption, exports and imports over the past fifteen years and, if appropriate, a five-year pre-war average,
- (b) a description and comments should be given on the trends and developments shown by the factual data,
- (c) indications should be given about likely trends in production, consumption, imports and exports for a period up to 1970, when possible to be supplemented by indications about future plans.

13 October 1965

MEAT AND DAIRY GROUPS

1. Meetings of the Meat and Dairy Groups will be held in the period commencing 22 November. In addition to members of the Groups, it is expected that all countries having an important interest in the products concerned will attend.
2. The Groups would discuss the points listed in the framework below as a means of exploring thoroughly the technical aspects of each Group's work with the objective of establishing in appropriate detail and on a strictly common basis information to be provided by each delegation.
3. The Groups would carry out their work within the following framework, bearing in mind the material circulated by the secretariat in accordance with paragraph 7 below:

As regards the Meat Group

- (a) The relevant elements of the national policies relating to beef, in particular production policies, over a representative period.
- (b) Factual data and projections with a view to permitting each participant to form an opinion of likely trends in production, marketings and import requirements for beef.
- (c) Such other items as the Group may decide.

As regards the Dairy Group

- (a) For butter, the relevant elements of national policies including the level of returns to dairy producers, in the major exporting and importing countries, and actual prices for butter traded internationally over a representative period, means by which could be solved the problem of artificially low-priced supplies on the international market.
- (b) Factual data and projections with a view to permitting each participant to form an opinion of likely trends in production, marketings and import requirements for butter.
- (c) Such other items as the Group may decide.

4. The information referred to in paragraph 2 would be forwarded, within a time-limit agreed by the Groups, to the secretariat for compilation and subsequent consideration by participating countries.

5. The Groups at the meetings in November would also give consideration to the calling of further meetings at appropriate times to discuss the position revealed by each country's information.
6. Members should ensure that they are represented at appropriate technical level so that the work of the Group can be carried out meaningfully.
7. Between now and the November meetings the secretariat will collate and circulate to members all available statistical and other material relevant to the points mentioned in paragraph 5 above.

GENERAL AGREEMENT ON TARIFFS AND TRADE

Revised *File*
CONFIDENTIAL

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20 June 1966

Group on Dairy Products

DRAFT WORKING DOCUMENT

Revision

EXPLANATION OF SYMBOLS USED

- T = duty of more than 5 per cent ad valorem
- S = specific duty, regardless of level
- T/S = ad valorem or specific duty
- R = import restrictions on all items covered by product description
- r = import restrictions on part of the items covered by product description
- Lv = imports are subject to variable or fixed levy
- lv = imports of part of the items covered by the product description are subject to variable or fixed levy.

		NEW ZEALAND	JAPAN Year Ending 31 March	AUSTRALIA Year Ending 30 June	NORWAY	SWITZERLAND Year Ending 30 April	FINLAND
Support price/ guide price/ target price or other fixed price							
Milk	1963		7.86¢/kg.		11.03¢/kg.	10.88¢/kg.	9.93¢/kg.
	1964		8.15 (guide		11.50 (average level	10.88-11.58	11.36
	1965		8.44 price)		.. of return)	11.58-11.81	
Butter	1963	82.30¢/kg. butter-fat	133¢/kg. 164¢/kg.	100.40¢/kg. butter-fat	-	-	-
	1964	86.16	135 butter 167 butter-	100.40	-	-	-
	1965	87.19	135 81% fat 167 fat	100.40	-	-	-
Cheese	1963	95.16¢/kg. butter-fat		100.40¢/kg. butter-fat	-	-	-
	1964	99.02		100.40	-	-	-
	1965	102.62		100.40	-	-	-
Average level of return to milk producers	1963	4.52¢/kg.	9.00¢/kg.	5.30¢/kg.	11.03¢/kg.	11.21-11.07¢/kg. *3.85% fat	63/64 9.93¢/kg.
	1964	4.61 (4.55% 4.7%	9.56 (9.2% 3.41%	5.30 (3.75% 5.30* (fat) *estimate	11.50 (4.1% fat)	11.76-11.14-11.83** *3.77% fat	64/65 11.36 (3.7% fat)
	1965	5.11 fat)	.. fat)		.. fat)	12.09 - 3.80% fat	65/66 11.36
Butter-fat content							
Butter	1963	82.2	80-82	80	80	83-82	81
	1964	82.2					
	1965	..					
Milk	1963	4.09	3.0-3.5	3.2-3.5 (minimum 6% fat)	4.1	3.85	3.9
	1964	4.09				3.77	
	1965	..				3.81	
Production							
Milk	1963	5,514.6 '000 tons	2,761 '000 tons	6,887.6 '000 tons	1,673 '000 tons	3,117 '000 tons	2,886.6 '000 tons
	1964	5,692.3 (incl. milk	3,020	7,018.6 (incl. milk	1,682	3,038	2,978.1
	1965	5,997.6 retained	3,228	7,070.2 retained	..	3,117	2,994.8
	1970	7,192.0 on farm)	..	7,693.6 on farm)	1,640	..	..
Butter	1963	220,500 tons	22,566 tons	204,000 tons	20,034 tons	34,700 tons	99,664 tons
	1964	235,200	23,199	206,000	20,061	30,200	102,266
	1965	249,200	23,975	207,000	19,900 345	23,400	99,447
	1970	307,000	..	216,000	..	..	..
Cheese	1963	100,000 tons	11,926 tons	59,000 tons	42,711 tons	70,000 tons	34,021 tons
	1964	96,600	13,293	59,000	42,143	73,200	35,180
	1965	107,900	15,332	62,000	42,900 44,682	77,400	37,356
	1970	106,000	..	72,000	..	..	..
Consumption							
Milk	1963	687.3 '000 tons	1,588 '000 tons	1,510.8 '000 tons	570 '000 tons x	1,633 '000 tons	1,364 '000 tons
	1964	668.1 (incl. milk	1,839	1,562.4	570 x dairy	1,616	1,357
	1965	648.5 retained	1,975	1,585.2	.. x dairy	1,578	1,318
	1970	.. on farm)	..	1,782.3	..	..	1,360

		NEW ZEALAND	JAPAN Year Ending 31 March	AUSTRALIA Year Ending 30 June	NORWAY	SWITZERLAND ~~Year Ending 30 April~~	FINLAND
Consumption (cont'd)							
Butter	1963	49,000 tons	22,539 tons	116,600 tons	16,089 tons	38,200 tons	82,700 tons
	1964	50,400	23,597	117,100	13,426	39,500	79,200
	1965	51,400	.. <i>x will</i>	..	<i>15,219</i>	39,800	79,600
	1970	57,000	..	124,000	..	..	<i>81,800</i>
Cheese	1963	7,500 tons	11,909 tons	32,900 tons	31,666 tons	48,200 tons	14,500 tons
	1964	9,100	13,403	35,900	31,040	50,500	14,100
	1965	8,700	.. <i>x will</i>	..	<i>33,446</i>	52,800	<i>15,700</i>
	1970	10,000	..	45,000	..	..	<i>18,800</i>
Imports							
Butter	1963		70 tons			2,600 tons	
	1964		100			10,800	
	1965		<i>677</i>			6,300	
	1970		..			..	
Cheese	1963	..	6,596 tons	2,420 tons	185 tons	10,500 tons	
	1964	..	8,325	2,940	<i>230 235</i>	11,600	
	1965	<i>135</i>	<i>9,880</i>	3,400	<i>234</i>	12,500	
	1970		..		..	..	
Exports							
Butter	1963	171,000 tons	5 tons	81,621 tons	3,936 tons	-	16,250 tons
	1964	185,000	2	92,188	6,625	-	24,125
	1965	197,000	<i>56</i>	98,000	<i>4,000 4,017</i>	-	19,700
	1970	250,000	..	92,000	..		
Cheese	1963	92,000 tons	3 tons	26,353 tons	14,032 tons	32,900 tons	17,223 tons
	1964	89,000	7	28,273	12,292	33,000	21,363
	1965	99,000	<i>6</i>	27,634	<i>9,500 10,604</i>	35,400	19,500
	1970	96,000	..	27,000	..	..	
Measures of protection at the frontier							
Condensed milk		TR	TR	S	S <i>R</i>	~~SL~~ LV	RLv
Powdered milk		TR	TR	S	S <i>R</i>	SLv, SLr	RLv
Butter		T	TR	S	S <i>R</i>	SLv <i>R</i>	RLv
Cheese		T	Tr	S	SR	S	RLv
Export subsidies and export aid							
Butter	1963			13.87/kg. butter-fat	For the export of butter and cheese, the difference between an f.o.b. basic export price and the obtained f.o.b. price is covered by the Feed Fund.		..
	1964			16.38			.. <i>will</i>
	1965			12.96			.. <i>supp</i>
Cheese	1963			13.87/kg. butter-fat		33.6/kg.	..
	1964			16.38		36.6	.. <i>inf.</i>
	1965			12.96		<i>26.8</i>	..

*hand
written
subsidy*

		ARGENTINA	CANADA	UNITED KINGDOM	SWEDEN	UNITED STATES
			Year ending 30 April *calendar year	Year ending 31 March *calendar year		Year ending 31 March
Support price/guide price/ target price or other fixed price						
Milk	1963	-	5.68¢/kg.	9.43¢/kg. (guaranteed price	.. (average level	6.86¢/kg.
	1964	-	5.79	9.56 limited to	.. of return for	8.92
	1965	-	6.74 (manufacturing milk)	10.18 standard quantity of milk used for liquid consumption)	10.50¢/kg. all milk	8.94 (manufacturing milk)
Butter	1963	-	130.9¢/kg.	-	120.3**¢/kg.	1.01¢/kg. of
	1964	-	130.5	-	109.3**	1.02 butter
	1965	-	131.4	-	*Oct. 65-Apr. 66 **May-Sept. 66	1.02 (80% fat) 128
Cheese	1963	-	66.5¢/kg.	-		126¢/kg. of pure
	1964	-	66.3	-		128 butter-fat
	1965	-	66.7	-	102.9¢/kg.	128
Average level of return to milk producers	1963	3.06 ¢/kg. (from milk producers)	6.30¢/kg. (3.5% fat)	8.24¢/kg. (all milk produced)	..	9.06¢/kg. (3.73% fat)
	1964	3.78 (3.14% fat)	6.55	8.62 (3.8% fat)	..	9.17
	1965	4.52 (fat)	6.82	9.32	10.50¢/kg. (3.5% fat)	9.35
Butter-fat content						
Butter	1963	} 80-82	} 81	..	} 82	} 80
	1964			80 (in proposed legis- lation now being considered)		
	1965					
Milk	1963	} 2.6-3.2 (legal minimum according to season)	} 3.25	(legal presumption	} 3.0-3.5	3.71 All
	1964			3 minimum standard)		3.70 milk
	1965					3.71
						3.73 Milk for 3.71 manu- 3.73 facturing

		ARGENTINA	CANADA	UNITED KINGDOM	SWEDEN	UNITED STATES
			Year ending 30 April *calendar year	Year ending 31 March *calendar year		Year ending 31 March
Production						
Milk	1963	4,788.5 '000 tons	8,360.7* '000 tons	11,910 '000 tons	3,798 '000 tons	56,589 '000 tons
	1964	4,907.2	8,387.3*	11,600 (year ending	3,665	57,412 <i>incl. milk</i>
	1965	4,682.2*	8,323.5*	11,700 31 May)	3,611	56,845 <i>incl. milk</i>
	1970	6,398.4	8,730*	.. (total milk production)	3,300	57,152* <i>from</i>
						*FAO Commodity Bulletin No.37
Butter	1963	52,029 tons	159,629* tons	58,930 tons	87,100 tons	659,000 tons
	1964	50,821	159,585*	37,590 (year ending	81,700	663,000
	1965	41,575*	153,000*	31,500 31 May)	79,700	602,000
	1970	80,400	160,000*	..	53,000	..
Cheese	1963	144,333 tons	69,538* tons	107,700 tons	54,900 tons	742,000 tons
	1964	151,676	71,650	104,650 (year ending	56,800	784,000
	1965	154,924*	75,350	116,840 31 May	57,400	792,000
	1970	157,900 *provisional	88,000	..	60,000	..
Consumption						
Milk	1963	1,548 '000 tons	3,099.4* '000 tons	7,980 '000 tons (as liquid	1,380 '000 tons	54,846 '000 tons
	1964	1,574	3,113.2*	8,080 (year milk)	1,371	55,724 (fluid milk)
	1965	1,600	3,143.0*	8,130 ending	1,381	55,577
	1970	2,158	3,284.1*	.. 31 May)	1,400	..
Butter	1963	39,134 tons	159,189 tons	465,330* tons	76,700 tons	609,000 tons
	1964	38,365	166,253	465,330*	73,900	615,000
	1965	34,271	160,814	477,720*	68,100	611,000
	1970	55,400	173,000	..	..	..
Cheese	1963	137,632 tons	63,413 tons	248,820* tons	59,600 tons	787,000 tons
	1964	147,259	65,630	258,470*	60,900	820,000
	1965	149,250	70,910	251,260*	61,000	833,000
	1970	147,000	92,400	..	70,000	..
Imports						
Butter	1963	-	-	394,210 tons	300 tons	1,000 tons
	1964	-	-	455,170 (year ending	100	1,000
	1965	-	-	469,390 30 June)	700	1,000
	1970	..	13,000 tons	..	..	..
Cheese	1963	2 tons	7,008 tons	141,220 tons	8,100 tons	3,774 tons
	1964	-	6,940	141,220 (year ending	8,600	3,547
	1965	-	8,024	157,480 30 June)	8,600	..
	1970	..	12,000	..	..	..
Exports						
Butter	1963	13,321 tons	8,781 tons		11,700 tons	32,900 tons
	1964	11,022	51,256		10,800	68,600
	1965	7,173	1,332		5,700	..
	1970	27,000	-		..	..
Cheese	1963	5,406 tons	11,738 tons	1,952* tons	5,700 tons	4,195 tons
	1964	4,527	14,361	2,141	6,900	3,780
	1965	5,284	14,571	..	3,800	..
	1970	10,900	6,000	..	..	..

		ARGENTINA	CANADA	UNITED KINGDOM	SWEDEN	UNITED STATES
			Year ending 30 April *calendar year	Year ending 31 March *calendar year		Year ending 31 March
Measures of protection at the frontier						
Condensed milk		T	S	T/S <i>different</i>		S
Condensed milk		T	Sr	Sr	Lv	SR
Butter		T	SR	OR	Lv	SR
Cheese		T	Sr	T	Lv	T/SR
Export subsidies or export aid						
Butter	1963 1964 1965		37.80¢/kg.	-	25.0¢/kg. *Average rate of export aid for the year	54.1-70.1¢/kg. 32.0-56.9
Cheese	1963 1964 1965	6% of the f.o.b. value + a supplement of 6% in the case of products meeting certain standards	4.80¢/kg.	-	14.8¢/kg.	..

*Shipment of
butter*

		DENMARK	POLAND	AUSTRIA Year beginning 1 May	IRELAND	EEC Year ending 31 March
Support price/guide price/target price or other fixed price						
Milk	1963	-	{ }	7.84 /kg.		..
	1964	-	{ }	7.84		7.97 - 10.40 /kg.
	1965	-	{ }	8.60 (3.5% fat) (guide price)		65/66 8.51 - 10.30 (3.7% fat)
Butter	1963	116.0 /kg.	{ }	-	129 /kg. 155.4 /kg.	
	1964	123.0 <i>butter</i>	{ }	-	129 butter 155.4 butterfat	
	1965	130.0 (Home market scheme price)	{ }	-	129 155.4 equivalent	
Cheese	1963		{ }			
	1964		{ }			
	1965		{ }			
Average level of return to producers	1963	6.07 /kg.	{ }	8.226 /K	5.20 /kg.	8.80 /kg.* **
	1964	6.07	{ }	8.226	5.70 (3.55% fat)	*weighted average of averages per country
	1965	6.01 (3.65% fat)	{ }	8.996 (3.8% fat)	5.78 (fat) (manufacturing milk)	65/66 9.18** **weighted average of target prices
Butter-fat content Butter	1963					
	1964	80	83	84	82-83	
	1965					
Milk	1963					
	1964	3.80	2.0-3.2	3.2-3.6	3.55 (manufacturing milk)	
	1965					
Production Milk	1963	5,085.5 '000 tons	12,693 '000 tons	1,788 '000 tons	2,900 '000 tons	65,003 '000 tons
	1964	5,232.3	12,590 total milk production	1,828 (delivered to dairies)	3,000	66,414 65,753
	1965	5,358	13,313	1,906	3,200	68,000
	1970	5,200	15,000	.. 2,020	4,000 (total production excluding milk consumed by suckling calves)	72,000 - 74,000
Butter	1963	149,300 tons	81,200* tons	34,800 tons	61,000 tons	1,155,000
	1964	155,200	87,400*	34,500	63,000	1,159,000
	1965	166,000	104,800*	37,700	68,000	1,213,000
	1970	161,000	115,000*	.. 39,000	86,000	..
Cheese	1963	121,000 tons	18,400* tons	29,600 tons	12,000 tons	1,421,000 tons
	1964	124,200	23,700*	30,800	16,000	1,467,000
	1965	113,900	26,800*	32,800	17,000	1,354,000
	1970	107,000	43,000* (*only industrial production)	.. 41,000	28,000	.. 1,541,000
Consumption Milk	1963	387,000 tons	..	686.1 '000 tons	610 '000 tons	10,000
	1964	386,000 (liquid sales only)	..	714.9	612 (total milk consumed)	
	1965	385,000	5,200 '000 tons	712.9	615 by persons on and off farms	
	1970	402,000	5,900 (total liquid milk consumption)	..	640	
Butter	1963	48,500 tons	..	32,085 tons	46,000 tons	1,146,000 935,000 tons
	1964	49,800	..	32,269	44,000	1,167 968,000
	1965	48,100	154,000	32,034	46,000	1,193,000
	1970	52,000	170,000	..	47,000	..
Cheese	1963	41,100 tons	..	23,963 tons	5,000 tons	1,433,000 tons
	1964	43,100	..	24,240	5,000	1,499,000
	1965	42,500	25,000	24,695	5,000	1,611,000
	1970	44,500	39,000	..	8,000	..

		DENMARK	POLAND	AUSTRIA ~~Year beginning 1 May~~	IRELAND	EEC Year ending 31 March
Imports						
Butter	1963	-	4,736.8 tons	1,118 tons	-	42,282* (*calendar year,
	1964	-	8,405.6	1,055	-	46,260* excluding intra-
	1965	-	2,048.0	-	-	28,600* EEC trades)
	1970	-	-	-	-	-
Cheese	1963	400 tons	238.7 tons	3,501 tons	0	111,772* (*calendar year,
	1964	400	294.5	3,626	0	118,968* excluding intra-
	1965	800	440.0	3,277	0	101,300* EEC trades)
	1970	-	-	-	-	-
Exports						
Butter	1963	103,600 tons	18,562.7 tons	4,185 tons	19,200 tons	52,200*
	1964	103,000	20,021.7	3,761	17,900	40,500*
	1965	112,700	18,340.0	5,780	20,200	51,800*
	1970	110,000	-	-	39,000	-
Cheese	1963	78,400 tons	1,217.2 tons	9,276 tons	6,900 tons	79,100*
	1964	81,700	1,843.3	9,792	9,700	75,300*
	1965	74,200	986.0	11,241	10,000	85,600
	1970	63,000	-	-	20,000	-
Measures of protection at the frontier						
Condensed milk		R	-	R		Lv
Powdered milk		Lv	-	R		Lv
Butter		R	-	R		Lv
Cheese		T	-	Lv (15% a.v.)		Lv
Export subsidies or export aids						
Butter	1963	?		..		
	1964	?		..		
	1965	?		..		
Cheese	1963	?		..		
	1964	?		..		
	1965	?		..		

23.1 4/1/68
15.9
21.1
11.3 4/1/68
6.2
"

		BELGIUM	F.R. GERMANY	FRANCE Year ending 31 March	ITALY	LUXEMBURG	NETHERLANDS
Support price							
Milk	1963						
	1964						
	1965	9.4438 f/kg.	9.4250 f/kg.	7.9700 f/kg.	10.4 f/kg.	9.9 f/kg.	8.5625 f/kg.
	1966	9.8550 (target price)	9.5 (target price)	8.5075 (target price)	10.295 (target price)	9.9 (target price)	8.8400 (target price)
Butter	1963						
	1964						
	1965	207.84* f/kg.	180.75* f/kg.	182.50* f/kg.	161.96* f/kg.	173.52*	130.99* f/kg.
	1966	207.26*	180.75*	182.50*	161.96*	179.52*	142.37*
Cheese	1963						
	1964						
	1965	97.12* f/kg.	79.75* f/kg.	107.42* f/kg.	117.86* f/kg.	97.12* f/kg.	75.43* f/kg.
	1966	97.12* (Gouda) *threshold price	81.88* (Gouda) *threshold price	107.42* (Gouda) *threshold price	116.0* (Gouda) *threshold price	97.12* (Gouda) *threshold price	79.46 (Gouda) *threshold price
Average level of return to producers							
	1963	7.60 f/kg.	8.83 f/kg.	8.24 f/kg.	8.17 f/kg.	9.18 f/kg.	7.72 f/kg.
	1964	8.28 (3.7% fat)	9.35 (3.7% fat)	8.49 (3.7% fat)	9.18 (3.7% fat)	9.90 (3.7% fat)	8.01 (3.7% fat)
	1965	9.44*	9.43*	7.97*	10.40*	9.90*	8.56*
	1966	9.85* *target price	9.50* *target price	8.51* *target price	10.30* *target price	9.90* *target price	8.84* *target price
Butter-fat content							
Butter	1963	82	80	82	82	82	82
	1964	82	82	82	82	82	82
	1965	82	82	82	82	82	82
Milk	1963	3.10	3.00	2.90	3.00	3.25	2.95
	1964	3.10	3.00	2.90	3.00	3.25	2.95
	1965	3.10	3.00	2.90	3.00	3.25	2.95
Production							
Milk	1963	4,122 '000 tons (BLEU)	20,587 '000 tons	24,080 '000 tons	9,020 '000 tons		7,194 '000 tons
	1964	3,978 4,160	20,807	26,106	8,667	(See Belgium)	6,856
	1965	..	..	..	..	..	..
	1970	..	..	..	..	..	..
Butter	1963	87,800 tons (BLEU)	482,300 tons	397,500 tons	61,000 tons		101,200
	1964	90,200	490,000	452,400	58,500	(See Belgium)	90,200
	1965	84,200	501,500	460,000	65,000		102,600
	1970	..	..	..	..		..
Cheese	1963	30,000 tons (BLEU)	330,000 tons	507,000 tons	334,000 tons		220,000 tons
	1964	31,000	347,000	565,000	316,000	(See Belgium)	208,000
	1965	24,000	369,000	600,000	330,000		218,700
	1970	..	..	..	..		..

		BELGIUM	F.R. GERMANY	FRANCE Year ending 31 March	ITALY	LUXEMBURG	NETHERLANDS
Consumption							
Milk	1963	1,100* '000 tons	6,472* '000 tons	5,650* '000 tons	3,165* '000 tons	(See Belgium)	2,179* '000 tons
	1964	..					
	1965	..					
	1970	..					
				*Total milk consumption including consumption at the farm and milk products			
Butter	1963	89,000 tons (BLEU)	515,000 tons	373,000 tons	93,900 tons	(See Belgium)	65,500 tons
	1964	95,000	517,000	407,000	95,000		65,800
	1965	73,600	502,500	448,400	100,400		67,700
	1970	..	..	..	..		..
Cheese	1963	56,000 tons (BLEU)	430,000 tons	492,000 tons	359,000 tons	(See Belgium)	96,000 tons
	1964	59,000	458,000	520,000	366,000		96,000
	1965	60,000	460,000	565,000	431,000		95,000
	1970	..	..	..	..		..
Imports							
Butter	1963	2,000 tons (BLEU)	35,000 tons	2,000 tons	27,000	(See Belgium)	..
	1964	7,000	32,000	..	30,000		4,000 tons
	1965	2,900	10,400	17,200	35,400		200
	1970	..	..	..	..		..
Cheese	1963	31,000 tons (BLEU)	121,000 tons	18,000 tons	52,000 tons	(See Belgium)	2,000 tons
	1964	32,000	131,000	17,000	72,000		4,000
	1965	36,000	125,800	29,400	63,300		7,900
	1970	..	..	..	..		..
Exports							
Butter	1963	3,000 tons (BLEU)	-	27,000 tons	-	(See Belgium)	42,000 tons
	1964	2,000	-	37,000	-		14,000
	1965	13,500	14,600 tons	28,800	-		35,100
	1970	..	..	..	..		..
Cheese	1963	5,000 tons (BLEU)	21,000 tons	37,000 tons	27,000 tons	(See Belgium)	111,000 tons
	1964	5,000	21,000	56,000	22,000		115,000
	1965	10,200	26,800	64,300	23,300		120,000
	1970	..	..	..	..		..
Export subsidies and export aids							
Butter (acid)	1963 (December)						
	1964 (December)	99.12 p/kg.	69.14 p/kg.	83.89 p/kg.	54.60 p/kg.	59.63 p/kg.	30.74 p/kg.
	1965 (December)	118.67	87.85	95.77	67.08	91.76	52.48
Cheese (Group No. 9)	1963 (December)						
	1964 (December)	33.04 p/kg.	25.34 p/kg.	56.60 p/kg.	56.67 p/kg.		22.64 p/kg.
	1965 (December)	39.54	23.67	53.77	51.93		23.89

*It should be noted that
this is far to the north of
the average of
maximum exports
in export to the third
country*

			NEW ZEALAND	JAPAN <i>freely</i>	AUSTRALIA <i>year ended</i>	NORWAY	SWITZERLAND	FINLAND <i>year ending</i>
Support price / <i>per</i>								
Milk	1963			7.86¢/kg.			10.88¢/kg.	
	1964			8.15			10.88-11.58	
	1965			8.44			11.58-11.81	
Butter	1963		82.30¢/kg.	133.00¢/kg.	100.4 ¢/kg. <i>but. fat</i>			9.93 ¢/kg.
	1964		86.16 <i>but. fat</i>	135.00	(82.30) ¢/kg. butter-			11.36
	1965		87.19	135.00	(82.30) fat			
Cheese	1963		95.16¢/kg.	135.00	(82.30) <i>but. fat</i>			
	1964		99.02	135.00	(82.30) <i>but. fat</i>			
	1965		102.62	135.00	(82.30)			
Average level of return to milk producers	1963		4.66¢/l.	9.00¢/kg.	4.82¢/l. <i>4.70 4/kg</i>	11.39¢/l. (4.17¢/l.)	11.07¢/kg.	63/64 9.93¢/kg.
	1964		4.76	9.56 (3.41%)	4.91 <i>4.79</i>	11.87	11.14-11.83 (3.75%)	64/65 11.36 (3.7%)
	1965		5.27		4.80			
Producers subsidies	1963		-	-	butter 16.50 ¢/kg. of	5.58¢/l.	cheese 1.30-1.21¢/kg.	
	1964		-	-	cheese 13.11 butter-	5.03	1.35-1.27	
	1965		-	-	butter 16.38 fat			
Other forms of aid					cheese 13.25			
Butter-fat content	1963		82.2		butter 16.33			
	1964		82.2		cheese 12.53			
	1965		..	80-82				
Milk	1963		4.09			80	83-82	81
	1964		4.09			80	83-82	81
	1965		..	3.0-3.5		80	83-82	81
Wholesale prices Milk	1963		7.24¢/l. (62/3)	16.1¢/l.	3.2-3.5	4.1	3.85	3.9
	1964		7.47	17.4	3.2-3.5	4.1	3.77	3.9
	1965		7.68		3.2-3.5	4.1		3.9
Butter	1963		57.87¢/kg.	185¢/kg.			244¢/kg.	140.33¢/kg.
	1964		57.87	178	110.57¢/kg.		244	158.02
	1965		57.87		114.17		244	171.37
Cheese	1963		51.13¢/kg.	174¢/kg.	65.31¢/kg.		*price to retail trade	131.27¢/kg.
	1964		52.09	167	65.31		142¢/kg.	150.08
	1965		58.21		67.37		142	159.30
Retail prices								(Emmenthal)
Milk	1963		9.54¢/l.	24.7¢/l.	19.08¢/l.	8.96-10.08¢/l.	14.6¢/l.	14.18¢/kg.
	1964		9.53	27.0	19.72	11.48-13.86	15.3	16.27
	1965		9.53		19.72	12.88-12.74		..
Butter	1963		61.73¢/kg.	214¢/kg.	119.3¢/kg.	145.60¢/kg.	276¢/kg.	152.85¢/kg.
	1964		61.66	211	119.0	145.60-154.70	276	174.07
	1965		61.35		123.8	141.40		189.30
Cheese	1963		62.81¢/kg.	204¢/kg.	90.8¢/kg.	109.20-131.60¢/kg.	164¢/kg.	149.05¢/kg.
	1964		63.99	203	89.8	131.60-107.80	165	171.73
	1965		69.26		..	107.80		182.63

245.6
254.7
263.8
3.5%

W5

W6

W7

W8

W9

W10

		W5 NEW ZEALAND	W6 JAPAN	W7 AUSTRALIA	W8 NORWAY	W9 SWITZERLAND <i>year ending 3/4</i>	W10 FINLAND
Margarine							
Wholesale price	1963	-	75.3¢/kg.	74¢/kg.	27.02-35.56¢/kg.	..	84.42¢/kg.
	1964	-	75.8	80	35.56-30.66	..	90.02
	1965	-		80	30.66-31.36	..	98.43
Retail price	1963	-	90.3¢/kg.	90¢/kg.	37.10-46.20¢/kg.	125¢/kg.	98.43¢/kg.
	1964	-	90.8	99	46.20-42.00	125	109.03
	1965	-	90.8	99	42.00-42.70	125	114.63
Consumer subsidies							
Milk	1963	2.1¢/l.	-		2.90-5.17¢/l.		
	1964	2.1	-		2.90-4.02		
	1965		-		4.02-4.73		
Butter	1963	20.4¢/kg.	-		-		75.38¢/kg.
	1964	20.4	-		15.40¢/kg.		85.97
	1965		-		15.40		90.34
Cheese	1963				13.86¢/kg.		
	1964				13.86-32.20		
	1965				32.20		
Production							
Milk	1963	5,343.6 mill./l.	2,761 '000 tons	6,674 mill./l.	1,621 mill./l.	3,117 '000 tons	2,797.1 mill./l.
	1964	5,515.8	3,020	6,801	1,630	3,038	2,885.8
	1965	5,811.6	3,228	6,851	..	3,117	2,901.9
	1970	6,969.0			1,589		
Butter	1963	220,500 tons	22,566 tons	204,000 tons	20,034 tons	34,700 tons	99,664 tons
	1964	235,200	23,199	206,000	20,061	30,200 tons	102,266
	1965	249,200	23,975	207,000	19,900	33,400	99,447
	1970	307,000		216,000	..		~~99,447~~
Cheese	1963	100,000 tons	11,926 tons	59,000 tons	42,711 tons	70,000	34,021 tons
	1964	96,600	13,293	59,000	42,143	73,200 tons	35,180
	1965	107,900	15,332	62,000	41,900	77,400	37,356
	1970	106,000		72,000	..		
Consumption							
Milk	1963	666.5 mill./l.	1,588 '000 tons			1,633	1,364 '000 tons
	1964	647.4	1,839			1,616 '000 tons	1,357
	1965	628.4	1,975			1,575	..
	1970	..				~~1,600~~	
Butter	1963	49,000 tons	22,539 tons	116,600 tons	16,089 tons	38,200	82,700 tons
	1964	50,400	23,597	117,100	13,426	39,500 tons	79,200
	1965	51,400	..	..	..	39,800	79,600
	1970	57,000		124,000	..	..	~~79,600~~
Cheese	1963	7,500 tons	11,909 tons	32,900 tons	31,666 tons	48,200	14,500 tons
	1964	9,100	13,403	35,900	31,040	50,500 tons	14,100
	1965	8,700	..	..	..	52,800	..
	1970	10,000		45,000	..		

		W5 NEW ZEALAND	W6 JAPAN	W7 AUSTRALIA	W8 NORWAY	W9 SWITZERLAND	W10 FINLAND
Imports							
Butter	1963		70 tons			2,600	
	1964		100			10,800 tons	
	1965					6,200	
	1970						
Cheese	1963		6,596 tons	2,420 tons	185 tons	10,500	
	1964		8,325	2,940	230	11,600 tons	
	1965			3,400	::	12,600	
	1970				::		
Exports							
Butter	1963	171,000 tons	5 tons	81,621 tons	3,936 tons	-	16,250 tons
	1964	185,000	2	92,188	6,625	-	24,125
	1965	197,000		98,000	4,000	-	19,700
	1970	250,000		92,000			
Cheese	1963	92,000 tons	3 tons	26,353 tons	14,032 tons	32,900	17,223 tons
	1964	89,000		28,273	12,292	33,000 tons	21,363
	1965	99,000		27,634	9,500	35,400	19,500
	1970	96,000		27,000			

		W11	W12	W13	W14	W15
		ARGENTINA	CANADA	UNITED KINGDOM	SWEDEN	UNITED STATES
			Year ending 30 April *calendar year	Year ending 31 March *calendar year		Year ending 31 March
Support price						
Milk	1963	-	-	9.45/kg. <i>Domestic milk</i>	-	6.86/kg.
	1964	-	5.68 4/kg	9.56 <i>Export milk used</i>	-	6.92
	1965	-	6.74/kg. (manufacturing milk)	10.18 <i>Export milk</i>	10.50 4/kg. (average 11 months)	6.94
Butter	1963	-	130.9/kg.	-	120.3*/kg. <i>Oct. '65-Apr. '66</i>	126 1.26/kg. of butter-fat
	1964	-	130.5	-	109.3** <i>May-Sept. '66</i>	128 1.28
	1965	-	131.4	-	-	128 1.28
Cheese	1963	-	66.5/kg. <i>3.5%</i>	-	-	-
	1964	-	66.3	-	-	-
	1965	-	66.7	-	102.9/kg.	-
Average level of return to milk producers	1963	..	6.30/kg.	8.24/kg. <i>(3.8%)</i>	..	9.06/kg. <i>(3.7%)</i>
	1964	..	6.55	8.62	-	9.17
	1965	..	6.82	9.32	10.50/kg. <i>(3.5%)</i>	9.35
Producer subs.	1963	-	-	-	-	-
	1964	-	-	-	-	-
	1965	-	-	-	14.4/kg. of butter-fat	-
Other forms of aid		-	-	-	-	-
Butter-fat content						
Butter	1963	80-82	81	(80) ?	82	80
	1964	80-82	81	80	82	80
	1965	80-82 <i>legal minimum</i>	81	80	82	80
Milk	1963	2.6-3.2	3.25	3	3.0-3.5	3.0-3.8
	1964	2.6-3.2	3.25	3	3.0-3.5	3.0-3.8
	1965	2.6-3.2	3.25	3	3.0-3.5	..
Wholesale prices						
Milk	1963	6.66/litre	-	-	-	11.71/kg.
	1964	8.0 (bottled milk)	-	-	-	11.79
	1965	8.4	-	-	14.7/kg.	11.79 (average 11 months)
Butter	1963	90.2/kg.	104.0/kg.	96.45*/kg.	-	128.0/kg.
	1964	103.1	106.0	111.61	-	130.0
	1965	114.7	111.0	96.13	129.0/kg.	134.0 (average 11 months)
Cheese	1963	64.4/kg.	70.4/kg.	72.90*/kg.	-	80.7/kg.
	1964	84.9 (hard cheese)	75.0 (Cheddar)	79.61 (Cheddar)	-	82.9
	1965	101.6	79.8	80.24	113.5/kg.	83.5 (average 11 months)

		W11	W12	W13	W14	W15
		ARGENTINA	CANADA	UNITED KINGDOM	SWEDEN	UNITED STATES
			Year ending 30 April *calendar year	Year ending 31 March *calendar year		Year ending 31 March
Retail prices						
Milk	1963	7.7¢/litre	18.9¢/kg.	16.52¢/kg.		24.7¢/kg. (average 11 months)
	1964	9.1	19.7	16.62		24.5
	1965	9.5	19.8	17.95	19.0¢/kg.	24.4 (average 11 months)
Butter	1963	97.4¢/kg.	119.3¢/kg.	110.82¢/kg.		165.0¢/kg.
	1964	113.0	121.0	114.53*		164.0
	1965	128.6	123.9	..	158.0¢/kg.	165.9 (average 11 months)
Cheese	1963	88.1¢/kg.	130.5¢/kg.	102.59* 143.48¢/kg.		80.0¢/kg.
	1964	112.6 (hard cheese)	138.4 (Cheddar)	107.10 144.76* (processed)		80.9
	1965	138.2	144.0	..	186.3¢/kg.	82.9 (average 11 months)
Margarine						
Wholesale price	1963		-	42.4¢/kg.		54.7¢/kg.
	1964		-	42.7 (year ending		56.0
	1965	73.2¢/kg.	-	44.3 30 June)	62.1¢/kg.	56.9 (average 11 months)
Retail price	1963		54.7¢/kg.	57.85¢/kg.		60.6¢/kg.
	1964		60.6	57.90*		57.3
	1965	83.9¢/kg.	72.3	..	71.8¢/kg.	61.4 (average 11 months)
Consumer subsidies						
Milk	1963	-		-	-	-
	1964	-		-	-	-
	1965	-		-	-	-
Butter	1963	-	24.4¢/kg.	-	-	-
	1964	-	24.6	-	-	-
	1965	-	22.5	-	-	-
Cheese	1963	-		-	-	-
	1964	-		-	-	-
	1965	-		-	-	-
Production						
Milk	1963	4,640 mill./l.	8,360.7* '000 tons	11,910 '000 tons	3,798 '000 tons	56,589 '000 tons
	1964	4,755	8,387.3	11,600 (year ending	3,665	57,412
	1965	4,537 *	8,323.5	11,700 31 May)	3,611	57,379
	1970	6,200	8,730	..	3,300	57,152 (FAO projection)
Butter	1963	52,029 tons	159,629* tons	58,930 tons	87,100 tons	659,000 tons
	1964	50,821	159,585	37,590 (year ending	81,700	663,000
	1965	41,575 *	153,000	31,500 31 May)	79,700	..
	1970	80,400	..	..	53,000	..
Cheese	1963	144,333 tons	63,216* tons	107,700 tons	54,900 tons	502,637 tons
	1964	151,676	65,136	104,650 (year ending	56,800	526,307 (Cheddar)
	1965	154,924 *	68,500	116,840 31 May)	57,400	..
	1970	157,900	..	..	60,000	..

		W11	W12	W13	W14	W15
		ARGENTINA	CANADA	UNITED KINGDOM	SWEDEN	UNITED STATES
			Year ending 30 April *calendar year	Year ending 31 March *calendar year		Year ending 31 March
Consumption						
Milk	1963	1,500 mill./l.	3,099.4* '000 tons	7,980 '000 tons	1,380 '000 tons	26,666 '000 tons
	1964	1,525	3,103.2	8,080 (year ending	1,371	26,847
	1965	1,550	3,143.0	8,130 31 May)	1,381	..
	1970	2,091	3,284.1	..	1,400	..
Butter	1963	39,134 tons	159,189 tons	465,330* tons	76,700 tons	609,000 tons
	1964	38,365	166,253	465,330*	73,900	615,000
	1965	34,271	160,814	477,720*	68,100	..
	1970	53,400	..	..	..	..
Cheese	1963	137,632 tons	48,926 tons	248,820* tons	59,600 tons	488,835 tons (Cheddar)
	1964	147,259	50,831	258,470*	60,900	523,311
	1965	149,250	55,134	251,260*	70,000-60,000	..
	1970	147,000	..	..	70,000	..
Imports						
Butter	1963	-	-	394,210 tons	300 tons	1,000 tons
	1964	-	-	455,170 (year ending	100	1,000
	1965	-	-	469,390 30 June)	700	..
	1970	-	-	..	..	..
Cheese	1963	2 tons	3,008 4 tons	141,220 tons	8,100 tons	1,432 tons
	1964	-	6,940 3	141,220 (year ending	8,600	1,124
	1965	-	8,024 3	157,480 30 June)	8,600	..
	1970	-	..	..	..	..
Exports						
Butter	1963	13,321 tons	8,781 tons	..	11,700 tons	90,000 tons
	1964	11,022	51,256	..	10,800	139,000
	1965	7,173	-	..	5,700	..
	1970	27,000	..	..	..	..
Cheese	1963	5,406 tons	11,738	11,453 tons	5,700 tons	15,234 tons
	1964	4,527	14,361	13,756	6,900	4,121
	1965	5,284	14,591	12,300	3,800	..
	1970	10,900	..	..	..	..

		W16	W18	W20	W17	
		DENMARK	POLAND	AUSTRIA Year beginning 1 May	EEC Year ending 31 March	Irish Land
Support price						
Milk	1963			..		
	1964			..		
	1965			8.60	£/kg. (3.5% fat)	
Butter	1963	116.0¢/kg.		-		
	1964	123.0		-		
	1965	130.0		-		
		(Home market scheme price)				
Cheese	1963					
	1964					
	1965					
Average level of return to producers	1963	6.07¢/kg.		..		
	1964	6.07		..		
	1965	6.05		8.996	£/kg. (3.8% fat)	
Producers subsidies	1963	6.01				
	1964			2.47	£/kg. (3.5% fat)	
	1965					
Other forms of aid						
Butter-fat content						
Butter	1963	80	83			
	1964	80	83			
	1965	80	83			
Milk	1963	3.80	2.0-3.2			
	1964	3.80	2.0-3.2			
	1965	3.80	2.0-3.2			
Wholesale prices						
Milk	1963	6.11¢/kg.				
	1964	6.11				
	1965	6.05				
Butter	1963	116¢/kg. (ending)				
	1964	116				
	1965	125				
Cheese	1963	54¢/kg. (ending)				
	1964	59				
	1965	55				
Retail prices						
Milk	1963	13¢/kg.				
	1964	13.5				
	1965	14.0				
Butter	1963	131.0¢/kg.				
	1964	131.0				
	1965	141.0				
Cheese	1963	100.0¢/kg.				
	1964	107.0				
	1965	109.0				

		W10	W18	W19	W19
		DENMARK	POLAND	AUSTRIA ~~Year beginning 1 May~~ calendar year	EEC Year ending 31 March
Margarine					
Wholesale price	1963	..	{ }	.. /kg.	
	1964	..	{ }	63.46 (special quality)	
	1965	..	{ }		
Retail price	1963	43.0¢/kg.	{ }	..	
	1964	48.0	{ }	73.84¢/kg. (special quality)	
	1965	53.0	{ }		
Consumer subsidies					
Milk	1963	-	{ }	.. /kg.	
	1964	-	{ }	0.99 (3.5% fat)	
	1965	-	{ }		
Butter	1963	-	{ }		
	1964	-	{ }		
	1965	-	{ }		
Cheese	1963	-	{ }		
	1964	-	{ }		
	1965	-	{ }		
Production					
Milk	1963	5,085.5 '000 tons	11,892 '000 tons	1,788 '000 tons	65,003 '000 tons
	1964	5,232.3	11,846	1,828	66,414
	1965	5,358	12,432	1,906	..
	1970	5,200	14,000	..	73,800-75,800
Butter	1963	149,300 tons	81,200 tons	34,800	927,000 tons
	1964	155,200	87,400	34,500	969,000
	1965	166,000	104,800	37,700	..
	1970	161,000	115,000		
Cheese	1963	121,000 tons	18,400 tons	29,600	1,421,000 tons
	1964	124,200	23,700	30,800	1,467,000
	1965	113,900	26,800	32,800	..
	1970	107,000	25,000		
Consumption					
Milk	1963	382,000 tons		686,100	
	1964	386,000		714,900	
	1965	385,000		742,900	
	1970	402,000		..	
Butter	1963	48,500 tons		32,085 tons	935,000 tons
	1964	49,800		32,269	968,000
	1965	48,100		32,034	..
	1970	52,000		..	
Cheese	1963	41,100 tons		23,963 tons	1,433,000 tons
	1964	43,100		24,240	1,499,000
	1965	42,500		24,695	..
	1970	44,500		..	

Ireland

2,900 tons
3,000
3,200
4,000
61,000 tons
63,000
68,000
86,000
17,000
16,000
17,000
28,000
610,000
617
615
640
46,000 tons
44
46
47
5,000
5,000
5,000
8,000

		<i>Wco</i>	<i>Wco</i>	<i>Wco</i>	<i>Wco</i>	<i>Ireland</i>
		DENMARK	POLAND	AUSTRIA Year beginning 1 May	EEO Year ending 31 March	
Imports						
Butter	1963	-	4,736.8 tons	1,118 tons	34,000 tons	-
	1964	-	8,405.6	1,055	47,000	-
	1965	-	2,048.0	-	-	-
	1970	-	-	-	-	-
Cheese	1963	400 tons	238.7 tons	3,501 tons	108,000 tons	-
	1964	400	294.5	3,626	116,000	-
	1965	<i>X</i> 800	440.0	3,277	-	-
	1970	-	-	-	-	-
Exports						
Butter	1963	103,600 tons	18,562.7 tons	4,185 tons	40,000 tons	19,700 tons
	1964	103,000	20,021.7	3,761	27,000	17,900
	1965	112,700	18,340.0	5,780	-	20,200
	1970	110,000	-	-	-	39,000
Cheese	1963	78,400 tons	1,217.2 tons	9,276 tons	85,000 tons	6,900 tons
	1964	81,700	1,848.3	9,792	77,000	9,700
	1965	74,200	986.0	11,241	-	40,000
	1970	63,000	-	-	-	20,000

*Butter
cheese
and
industrial
products*

		BELGIUM	F.R. GERMANY	FRANCE Year ending 31 March	ITALY	LUXEMBURG	NETHERLANDS
Support price							
Milk	1963						
	1964						
	1965	9.4438 ¢/kg.	9.4250 ¢/kg.	7.9703 ¢/kg.	10.4 ¢/kg.	9.9 ¢/kg.	8.5635 ¢/kg.
	1966	9.8540 (target price)	9.5 (target price)	8.5071 (target price)	10.296 (target price)	9.9 (target price)	8.8398 (target price)
Butter	1963						
	1964						
	1965	207.84* ¢/kg.	180.75* ¢/kg.	182.50* ¢/kg.	161.96* ¢/kg.	173.52*	130.99* ¢/kg.
	1966	207.26*	180.75*	182.50*	161.96*	179.52*	142.37*
Cheese	1963						
	1964						
	1965	97.12* ¢/kg.	79.75* ¢/kg.	107.42* ¢/kg.	117.86* ¢/kg.	97.12* ¢/kg.	75.43* ¢/kg.
	1966	97.12* (Gouda) *threshold price	81.88* (Gouda) *threshold price	107.42* (Gouda) *threshold price	116.0* (Gouda) *threshold price	97.12* (Gouda) *threshold price	79.46* (Gouda) *threshold price
Average level of return to producers							
	1963	7.60 ¢/kg.	8.83 ¢/kg.	8.24 ¢/kg.	8.17 ¢/kg.	9.18 ¢/kg.	7.72 ¢/kg.
	1964	8.28	9.35	8.49	9.18	9.90	8.01
	1965	9.44* 3.7%	9.43* 3.7%	7.97* 3.7%	10.40*	9.90*	8.56*
	1966	9.85* *target price	9.50* *target price	8.51* *target price	10.30* *target price	9.90* *target price	8.84* *target price
Producers subsidies							
	1963	0.495 ¢/kg.	1.4075 ¢/kg.			1.71 ¢/kg.	1.0975 ¢/kg.
	1964						
	1965	0.525	1.4575			2.2475	1.055
	1966	0.375	1.425			1.8825	0.72
Other forms of aid							
Butter-fat content							
Butter	1963	82	80	82	82	82	82
	1964	82	82	82	82	82	82
	1965	82	82	82	82	82	82
	1966						
Milk	1963	3.10	3.00	2.90	3.00	3.25	2.95
	1964	3.10	3.00	2.90	3.00	3.25	2.95
	1965	3.10	3.00	2.90	3.00	3.25	2.95
	1966						
Wholesale prices							
Milk	1963						
	1964						
	1965						
	1966						
Butter	1963	176.6 ¢/kg.	164 ¢/kg.	173.2 ¢/kg.	141.1 ¢/kg.	154.0 ¢/kg.	99.2 ¢/kg.
	1964	190.6	168	176.2	149.4	154.4	117.7
	1965	194.4	171	174.4	151.2	170.2	129.8
	1966						
Cheese	1963	77.4 ¢/kg.	74.0 ¢/kg.	113.8 ¢/kg.	113.1 ¢/kg.	120 ¢/kg.	60.2 ¢/kg.
	1964	94.8	79.8	121.5	126.4	120	69.9
	1965	94.0 (Gouda)	79.3 (Gouda)	113.8 (Gouda)	132.8 (Provolone)	120 (Port Salut)	75.7 (Gouda)
	1966						

		BELGIUM	F.R. GERMANY	FRANCE Year Ending 31 March	ITALY	LUXEMBURG	NETHERLANDS
Retail price							
Milk	1963	14.6 $\text{f}/\text{l.}$	11.5-12.5 $\text{f}/\text{l.}$	14.2 $\text{f}/\text{l.}$	15.2 $\text{f}/\text{l.}$	15.3 $\text{f}/\text{l.}$	12.2 $\text{f}/\text{l.}$
	1964	15.4	12.5	14.2	17.6	16.0	13.3
	1965	16.3	12.5	14.6	17.6	16.0	13.5
Butter	1963	201.4 $\text{f}/\text{kg.}$	183.8 $\text{f}/\text{kg.}$	196.1 $\text{f}/\text{kg.}$	224.3 $\text{f}/\text{kg.}$	168.0 $\text{f}/\text{kg.}$	118.2 $\text{f}/\text{kg.}$
	1964	217.1	189.3	200.1	234.9	168.3	138.1
	1965	223.3	195.3	204.4	246.9	185.0	145.9
Cheese	1963	140.4 $\text{f}/\text{kg.}$	117.8 $\text{f}/\text{kg.}$	173.6 $\text{f}/\text{kg.}$	208.6 $\text{f}/\text{kg.}$	119.4 $\text{f}/\text{kg.}$	96.7 $\text{f}/\text{kg.}$
	1964	158.3 (Gouda)	122.3	178.4	250.7 (cheese for	134.7 (Dutch	109.4
	1965	160.2	126.3 (Edam/Gouda)	183.5 (Gruyère)	290.6 seasoning)	146.6 cheese)	114.9 (Gouda)
Margarine							
Wholesale price	1963	41 $\text{f}/\text{kg.}$	43.8 $\text{f}/\text{kg.}$	57.5 $\text{f}/\text{kg.}$	62.1 $\text{f}/\text{kg.}$	..	34.5 $\text{f}/\text{kg.}$
	1964	42.8	45.5	59.1	62.2	..	37.3
	1965	47.2	..	64.8	61.6	..	..
Retail price	1963	48 $\text{f}/\text{kg.}$	66 $\text{f}/\text{kg.}$	64.8 $\text{f}/\text{kg.}$	118 $\text{f}/\text{kg.}$	48 $\text{f}/\text{kg.}$	39.8 $\text{f}/\text{kg.}$
	1964	49.8	68.3	66.4	120.3	48.2	42.0
	1965	54.2	72.3	71.5	126.1	53	47.5
Consumer subsidies							
Milk	1963						
	1964						
	1965						
Butter	1963						
	1964						
	1965						
Cheese	1963						
	1964						
	1965						
Production							
Milk	1963	4,122 '000 tons (BLEU)	20,587 '000 tons	24,080 '000 tons	9,020 '000 tons		7,194 '000 tons
	1964	3,978	20,807	26,106	8,667	(See Belgium)	6,856
	1965	..	..	..	..		..
	1970	..	..	..	..		..
Butter	1963	72,000 tons (BLEU)	396,000 tons	326,000 tons	50,000 tons		83,000 tons
	1964	74,000	402,000	371,000	48,000	(See Belgium)	74,000
	1965	..	..	..	..		..
	1970	..	..	..	..		..
Cheese	1963	30,000 tons (BLEU)	330,000 tons	597,000 tons	334,000 tons		220,000 tons
	1964	31,000	x 347,000	x 565,000	316,000	(See Belgium)	208,000
	1965	..	..	..	..		..
	1970	..	..	..	..		..

		BELGIUM	F.R. GERMANY	FRANCE Year Ending 31 March	ITALY	LUXEMBURG	NETHERLANDS
<i>check</i> Consumption							
Milk	1963	1984		5650	2165	246	2179
	1964					(See	
	1965					Belgium)	
	1970						
Butter	1963	73,000 tons (BLEU)	422,000 tons	306,000 tons	77,000 tons		57,000 tons
	1964	78,000	424,000	334,000	78,000	(See	54,000
	1965	..	..	..	..	Belgium)	..
	1970						
Cheese	1963	56,000 tons (BLEU)	430,000 tons	492,000 tons	359,000 tons		96,000 tons
	1964	59,000	458,000	520,000	366,000	(See	96,000
	1965	..	..	..	..	Belgium)	..
	1970						
Imports							
Butter	1963	2,000 tons (BLEU)	35,000 tons	2,000 tons	27,000 tons		-
	1964	7,000	32,000	-	30,000	(See	4,000 tons
	1965	..	..	..	..	Belgium)	..
	1970						
Cheese	1963	31,000 tons (BLEU)	121,000 tons	18,000 tons	52,000 tons		2,000 tons
	1964	32,000	131,000	17,000	72,000	(See	4,000
	1965	..	..	..	..	Belgium)	..
	1970						
Exports							
Butter	1963	3,000 tons (BLEU)	-	27,000 tons	-		42,000 tons
	1964	2,000	-	37,000	-	(See	14,000
	1965	..	..	..	..	Belgium)	..
	1970						
Cheese	1963	5,000 tons (BLEU)	21,000 tons	37,000 tons	27,000 tons		111,000 tons
	1964	5,000	21,000	56,000	22,000	(See	115,000
	1965	..	..	..	..	Belgium)	..
	1970						

Group on Dairy ProductsPROPOSALS FOR A GENERAL ARRANGEMENT¹

The attached tabular sheets present, in a summary form, the texts of comparable provisions of the proposals for a general arrangement on dairy products submitted by Argentina, Australia, Denmark, the European Economic Community, New Zealand, Norway, South Africa, Switzerland, the United Kingdom and the United States. Where appropriate, the texts have been supplemented on the basis of statements made by delegations in the course of the meeting of the Group held on 21 and 22 September 1966.

The presentation has, as much as possible, been made in the following order:

1. Products Included in the Arrangement
2. Agricultural Policies
3. International Trade
 - (i) Access
 - (ii) International Prices
 - (iii) Assurances of Supply by Exporting Countries
4. Non-Commercial Disposals
5. Other Matters

Some of the proposals also deal in a more or less specific way with questions on institutional arrangements, membership, duration, etc. These suggestions are not yet referred to in the present tabular comparison.

As the information is given in summary form, it is advisable to use the present tabulation only in conjunction with the original texts of the proposals.

¹The present document is based on document LIT(40)542, revised in the light of comments made in the meeting on 29 September 1966.

ARGENTINA	AUSTRALIA	DENMARK	EEC	NEW ZEALAND	NORWAY	POLAND	SOUTH AFRICA	SWITZERLAND	UNITED KINGDOM	UNITED STATES
1. Products Included in an Arrangement										
Not stated explicitly but see under 4: non-commercial disposals.	The proposal relates initially to butter. The final Arrangement should also cover the principal cheeses and processed milk products.	The Arrangement should cover butter and preserved milk and cream. For cheese an arrangement should be concluded comparable to those for other major agricultural products for which no world-wide agreement is concluded.	Butter, whole and skimmed milk powder. Ready study inclusion preserved milk. Ready discuss cheese bilaterally.	Initially butter, preserved milk and principal cheeses entering world trade. Coverage should embrace all products containing butter-fat. For simplicity could start with butter but measures must not be frustrated by diversion of milk to other products.		The Arrangement should cover butter. Ready consider possibility inclusion other products.			Initially butter, preserved milk and principal cheeses entering world trade depending on the kind of arrangement eventually concluded.	Butter, principal types of cheese, non-fat dried milk

2. Agricultural Policies										
Arrangement should act on each and all elements of internal and frontier measures. In principle prepared not to encourage dairy policy based on artificial incentives leading to excessive and distorted production.	Seeks effective limitation on the level of domestic support in high-cost countries. Level of protection in certain high-cost producing countries should be so modified as to reduce the incentive to excess production.	Contracting parties maintaining high levels of support must reduce that level or the individual elements of such support. In other cases, a particular level of support or of the individual elements of support may be consolidated. These commitments must aim at approximating national producer prices to a level which will give efficient producers a reasonable remuneration.	Commitments should be made on the aggregate support, expressed as margin of support (montant de soutien). This equals difference between producers' return (for Community, threshold price) and international reference price for products concerned. Margin to be bound for three-year period, for each product. Developed countries with a market economy in which producers' returns below international reference price renounce recourse to support margin for that period.	Arrangements should cover all relevant elements. Countries should undertake to adjust policies according to certain agreed principles.	Willing to continue take measures to limit and adapt production to domestic market needs. Willing to undertake not reduce fat contents of domestic wholemilk for liquid consumption below its natural fat content. Willing to encourage bigger domestic consumption and thus reduce export surplus.	Prepared to abide by its present policy which is on one hand not to encourage surplus milk production but on other hand aimed to ensure domestic market requirements as well as maintenance of traditional dairy exports. Ready continue its policy in regard to promoting consumption of liquid milk and other dairy products. Is convinced that problems in international markets for dairy products, primarily butter market, could be solved in the long term only if domestic consumption in various countries could expand substantially.	Ready to bind subject to certain reservations (a) <u>Butter-fat</u> : A basic price of 43/- per lb. (first grade) and a maximum seasonal premium for the months June-October of 6/- per lb. (b) <u>Industrial milk</u> : (1) Cheesemilk and milk for the manufacturing of skimmed milk powder: a basic price of 190/- per 100 lbs. and a maximum seasonal premium for the months June-October of 30/- per 100 lbs. (11) Milk for the manufacture of wholemilk powder or condensed milk: a price of not more than 10/- per 100 lbs. above the price under (b)(1) above. Prices for (b) apply to milk with 3.5 per cent fat content. The reservations refer to the right to modify the basic or average prices of butter-fat and industrial milk according to certain criteria; and to effect drought relief measures.	Considers that overall effects of an agricultural policy can be evaluated by export policy on one hand and import policy on other. As regards its export policy, Switzerland ready to study depending on nature and content of arrangement envisaged. As regards import policy, see statement under "Access".	Prepared re-affirm intention not to depart from present policy of not encouraging expansion of domestic milk production for the manufacturing of all milk products. The United Kingdom's guarantees to dairy farmers do not relate to milk for manufacturing into dairy products. Consequently, the United Kingdom is not in position to make any further contribution as regards reduction or binding of support levels.	

ARGENTINA	AUSTRALIA	DENMARK	EEC	NEW ZEALAND	NORWAY	POLAND	SOUTH AFRICA	SWITZERLAND	UNITED KINGDOM	UNITED STATES
		The commitments should take account of the form in which support is given to national producers.	State-trading countries make appropriate and equivalent commitments. Less-developed countries in principle make equivalent commitments or none in certain cases. Parties free to select instruments of support system, but observe GATT provisions and previous tariff concessions. Parties may request commitments to be undertaken on one or more specific instruments.	Commitments can differ country to country, but be designed to achieve certain agreed objectives, e.g. improvement of access to markets for more economic producers, reduction and binding of levels of support in high-cost countries, elimination of export subsidies and the encouragement of consumption.		Shares view that commitments, while differing from one country to another, should be designed with a view to attainment of certain agreed objectives such as normalization and stabilization of trading conditions and of prices, international trade expansion etc. Ready to undertake commitments appropriate to its economic system and equivalent to commitments of other parties to Arrangement.				Commitments could vary by country. Frontier measures; see under "Access".
		The commitments may be taken up for periodical review, having regard to increases in costs of production.	Each party notifies lists of instruments relevant to support margin at signing of Arrangement. Any changes to instruments to be notified during three-year period. Support margin revisable if overriding interest but against compensation.							

3. International Trade: (1) Access

Arrangement should assure increase in access to traditional and other markets.	Seeks improved access to world markets for genuine commercial exporters, i.e. commitment by importing countries to provide assured and liberal access. The assurance could take the form of country quotas or might follow the lines of the self-supply concept or any other firm commitment on import access.	Arrangement must provide satisfactory conditions for Danish exports of dairy products. Arrangement for butter should contain special agreement for United Kingdom market, based on the quantitative principles of the existing agreement, but covering also domestic production in the United Kingdom. It would be useful to introduce arrangements, based on similar principles for other markets applied.	For EEC, definition of acceptable conditions of access must result from combination of appropriate measures, such as: (1) binding of support margin in relation to internal policy; (2) provisions relating to marketing and measures to establish sound market situation; (3) concept and mechanism of international reference price in relation to export policies applied.	Commitments must lead to increased access to commercial markets, i.e. the opportunity to trade competitively with domestic production. Any arrangement for butter should contain special agreement for United Kingdom market. In Canada and United States, seeks a percentage of the market through a reasonable quota with a growth factor. In Japan, seeks liberal import policy. This could be achieved through a negotiation of basic quantities, a growth factor and provisions for frequent review. In EEC, recognizing the system presents certain difficulties, would accept a minimum import price system or a levy quota or a tariff quota or a reduction of the overall level of support.	Ready under-Commitments written into Arrangement should take not in-permit expansion of international trade, by means of greater access to both traditional and other markets. In principle, for traditional exporters the minimum to be derived therefrom would be maintenance of their exports at a level corresponding to level of exports during a period recognized as being representative. In addition, one might envisage that really efficient exporters largely dependent on dairy exports would be assured of benefiting from any increased import needs resulting from commitments on aggregate support, whatever forms they might take. Is interested in seeing a general Arrangement arrived at, based on rules appropriate to the principle objectives, i.e. normalization and stabilization of terms of trade and prices. If quantitative rules were accepted as basis for Arrangement, Poland might undertake not to exceed a certain level of exports during a representative period.	On condition that sufficient assurances are given regarding marketing practices for dairy products exported to Switzerland and satisfactory commitments are undertaken in respect of Swiss dairy product exports, Switzerland can undertake commitments concerning access to the Swiss market.	Present system of quantitative restriction on butter safeguards United Kingdom's major suppliers. Its removal would not be considered by many suppliers as a contribution to objectives. Other products admitted freely from most sources over duty. Prepared bind present full rates of duty on preserved and processed milks (BTN 04.02) where not now bound. Prepared consider relaxing present prohibition on imports of these products from Dollar Area.	Arrangement must include access to markets. Commitments in quantitative terms would be considered objectives. Prepared to consider undertaking major access commitments provided other partners are.
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ARGENTINA	AUSTRALIA	DENMARK	EEC	NEW ZEALAND	NORWAY	POLAND	SOUTH AFRICA	SWITZERLAND	UNITED KINGDOM	UNITED STATES
Arrangement should act on price levels.	Seeks stabilized export prices at remunerative levels for commercial producers through negotiated import prices or through effective restraints on export subsidies and dumping. Imports should be sold at prices that are remunerative and fair to both consumers and producers. Importing countries applying quotas should administer them so as to ensure that prices obtained do not fall below some pre-determined level to be negotiated in advance between importing and exporting countries.	As introduction of arrangements based on quantitative principles, for butter markets other than United Kingdom could present difficulties, Denmark ready to take part in negotiations for an international minimum price for such markets. Minimum price arrangements could also be applied to United Kingdom butter market, supplementing present quantitative principles. It might be difficult to reach agreement on international minimum prices for the many cheeses traded, but it may be possible to establish such prices for certain standard types. With respect to rules on an international minimum price for preserved milk, the OECD gentlemen's agreement on whole milk powder could serve as starting point. International minimum price should be fixed at a level so as to ensure a reasonable remuneration for efficient producers of the product concerned.	International reference price to (a) determine support (b) stabilize inter-national prices (c) orientate production and trade To be fixed for prime butter and whole and skimmed milk powder, taking into account if necessary, marketing stage, geographical situation or product characteristics. For butter to be set at level to permit satisfactory valorization of milk for efficient producers with significant share in world trade. For other dairy products must do likewise and establish proper price ratio between fat and non-fat part of milk.	3. International Trade: (11) International Prices New Zealand doubts that a "world reference price" (in the sense of "minimum price" below which participants would not offer butter and perhaps other products), at this stage, either practicable or negotiable. Can subscribe to objective that prices for products internationally traded should be remunerative to efficient producers. Direct action on such prices is not the only conceivable method to achieve this. Expects that commitments on support measures and frontier measures will contribute to objective. In markets determined by operation of national policies based on price regulation at all stages, agreement may be necessary on price at which products will be imported.	Arrangement should aim at production/demand balance at stable prices.	Shares view that international reference price for butter has very important rôle to play as factor for price normalization and stabilization of terms of trade in international market, provided that all countries signing Arrangement, whether exporters or importers, undertake to observe it. This restraint would have to be maintained with regard not only to countries participating in Arrangement, but also to non-participating countries. It might prove necessary for importing countries to make certain provisions in this respect and for corresponding rules to be written into Arrangement in order to make it more effective. Is ready to abstain from negotiation on level of this price. In addition is ready to observe international reference price and has all necessary means for doing so.	Prepared discuss fixing inter-national reference prices for butter and Cheddar and Gouda cheeses. Such prices should take into account traditional price differences between products from different suppliers.	In view of importance of arrangement on minimum prices for development of inter-national trade, is ready to examine how Switzerland could contribute thereto.	International prices must be reasonable in view of United Kingdom's dependence on imports and balance-of-payments implications. Should approach problem via supply/demand forces not by direct action on price.	

ARGENTINA

AUSTRALIA

DENMARK

EEC

NEW ZEALAND

NORWAY

POLAND

SOUTH AFRICA

SWITZERLAND

UNITED KINGDOM

UNITED STATES

The technique by which importing countries would ensure that the minimum price level was maintained would depend on the circumstances in the particular market. The same method would not necessarily be suitable for all markets.

Additional pricing arrangements would be desirable with respect to sales in a number of small but commercially significant markets.

The contracting parties should undertake to refrain from exporting or importing dairy products at prices below the international minimum price. Observance of the minimum price should be ensured by means of levies on exports, or, failing this, levies on imports.

Contracting parties should undertake to limit the use of export subsidies (including export restitutions) so that support given to producers in respect of domestic products sold on the home market should not *eo ipso* be given in respect of sales on export markets.

Exporting countries take all appropriate measures to observe reference prices. Importing countries to levy compensatory amount. Reference price to apply also to trade with non-participants.

Commitments on support, etc. must not be nullified or impaired by dairy products at artificially low prices. Essential objective must be eventual elimination of export subsidies.

Two broad means:
(a) at frontier of importing country (e.g. as in United Kingdom - but this market unique)
(b) commitments by exporters.

Proposes export subsidization standstill, e.g. as at 16.9.65. Commitments in terms of subsidy per unit weight and restriction of application of subsidy to volume of exports during representative period up to 16.9.65. All parties other than United Kingdom to undertake not to offer butter at prices lower, in relation to domestic price, than those in force at specified date. There would be no increase in export subsidy; offer price to be lowered only if equivalent lowering of domestic price.

All countries exporting butter, hard cheeses and skim and whole milk powder, could undertake that the margin between export price and domestic wholesale price shall not exceed the margin as, e.g. at 16.9.65. Where export subsidies represent more than a given percentage of the domestic wholesale price, could undertake to reduce subsidies by an agreed annual percentage, beginning in the second year of the Arrangement.

Export subsidies not in interest of sound trading but definition, identification and assessment of export subsidization would present technical difficulties. United Kingdom grants no government subsidies on production or exports of dairy products.

Export aids should not be used to disrupt normal commercial markets of efficient exporters. Prepared to co-operate in the examination of measures or commitments which could be undertaken by all countries to avoid this occurring. Ready to discuss binding of total export subsidy payments or of maximum per unit of product, or of volume of subsidized exports.

ARGENTINA	AUSTRALIA	DENMARK	EEC	NEW ZEALAND	NORWAY	POLAND	SOUTH AFRICA	SWITZERLAND	UNITED KINGDOM	UNITED STATES
3. <u>International Trade: (iii) Assurances of Supply by Exporting Countries</u>										
In principle prepared to meet, within its possibilities, world demand in market which is not distorted artificially.	Ready to consider harmonizing and timing shipments so as to meet requirements of importing countries.								The Arrangement should contain assurances of supply by exporting countries.	The Arrangement should contain assurances of supply by exporting countries.
4. <u>Non-commercial Disposals</u>										
In principle prepared to participate international programme on certain derived products.	Importing countries may produce supplies which are surplus to their normal market requirements, after allowing for the entry of imports in accordance with their access commitments. High-cost exporting countries may also produce supplies surplus to the quantities they are able to sell commercially. The producing country concerned should withhold the surplus from commercial markets and assume responsibility for disposal of the surplus on internationally agreed terms and conditions.	Rules should be adopted to prevent non-commercial disposal of surplus stocks in ways that would be detrimental to commercial exports.	Each party determines security stock level for butter. Maximum carryover stocks of butter to be fixed for each party within Arrangement. Quantities above maximum deemed "surpluses". Possibly fix maximum stocks for certain other dairy products in certain countries. Each party with surpluses draws up own programme of disposal measures. Annual consultations on such measures. The Council of the Arrangement may recommend relevant measures in form of non-commercial transactions. Non-commercial transactions as food aid should not disrupt normal trade flows.	Willing to participate in equitable international Arrangement for financing and disposal. Must take into account FAO principles and relevant GATT decisions. Equitable basis for financing would be national contribution from all parties, related to production levels or cow numbers. Present bilateral programmes to be excluded except as otherwise agreed. Terms and conditions on which products obtained and disposed to be determined annually by "International Dairy Council". Ceiling to be set, at least initially, to quantity of surplus administered under Arrangement.					Ready examine any proposals on food aid for developing countries but must be consistent with FAO principles and equitable to all parties. United Kingdom already provides largest commercial outlet for other countries' surpluses and could not accept as equitable any arrangement meaning United Kingdom making further contribution to surplus disposal.	Such disposals should not be used to disrupt normal commercial markets of efficient exporters. Prepared to co-operate in the examination of measures or commitments which could be undertaken by all countries to avoid this occurring.

ARGENTINA	AUSTRALIA	DENMARK	EEC	NEW ZEALAND	NORWAY	POLAND	SOUTH AFRICA	SWITZERLAND	UNITED KINGDOM	UNITED STATES
Arrangement should act on internal measures affecting consumption.	Domestic consumption should be stimulated through price action including consumer subsidies and through promotional and welfare measures.		Provisions should be made to settle problem of compatibility of existing bilateral arrangement with general arrangement on dairy products.	Commitments should be designed as to achieve, inter alia, encouragement of consumption. Participants should be prepared to take steps to stimulate domestic consumption both through price action, including consumer subsidies, and through promotional and welfare measures.	5. <u>Other Matters</u> Willing to encourage bigger domestic consumption and thus reduce export surplus. Ready negotiate other measures leading to better and more stable world market conditions.		Prepared to take steps to expand internal consumption of butter and Cheddar and Gouda cheeses under conditions of surplus supply by means of consumer subsidies. For this, prepared apply at least Rands 9 million for three years		Ready co-operate fully in examination of possible methods of increasing consumption. Must take account of previous work other international agencies, e.g. FAO.	

Group on Dairy ProductsREPORT OF SUB-GROUP

At its meeting on 15 February, the Group on Dairy Products established a Sub-Group with the following terms of reference "To examine the technical problems relating to the possible establishment of international reference prices and to report thereon to the Group".

The Sub-Group met on 17 and 22 February. The following countries were represented:

Argentina	Ireland
Australia	New Zealand
Austria	Switzerland
Denmark	United Kingdom
European Economic Community	United States

Poland was represented by an observer.

Statements made in the Sub-Group were without commitment and ad referendum. The Sub-Group restricted its discussion of reference prices to butter.

Reference Price Mechanism(a) Basing point

The representative of the European Economic Community suggested that the reference price system should be based on f.o.b. prices as this would facilitate the observance of reference prices in respect of sales not only to non-participants but also to the many smaller countries which might participate. Whilst he recognized that the existence of a dominant import market would seem to support the use of a c.i.f. basis, the f.o.b. basis would seem more satisfactory, at least during the initial stages of the working of an arrangement.

The representatives of Australia, Denmark and New Zealand agreed that the adoption of a c.i.f. basis might pose problems with respect to non-participants and even perhaps in the case of smaller participating countries. They pointed out, however, that an f.o.b. based system would inevitably be complicated since, because of the problems of geographical distances and freight rates, it would be necessary to introduce f.o.b. prices for each exporter for each country or region of destination; this would raise difficulties of equity and administration because, for example, any change in relative freight rates would affect the competitive positions of different exporters in a particular market. The problems of non-participants could, they suggested, be reviewed by the proposed Dairy Council.

The Sub-Group agreed to proceed, without commitments on the part of the delegations present as regards the positions of their governments, on a working hypothesis that a c.i.f. basis was preferable to a f.o.b. basis. The representative of the EEC pointed out that, even on this working hypothesis, his delegation's agreement was conditional upon the finding of satisfactory solutions to the problems of observance of the reference price for sales to non-participants.

(b) Number of reference prices

The Sub-Group then addressed itself to the question as to whether reference prices should be determined by zone or for each country of destination.

The representatives of Argentina and New Zealand expressed a preference for a country-by-country approach. The representative of New Zealand, whilst recognizing that the establishment of a c.i.f. reference price for each country of destination would be a complex operation, particularly as such reference prices would in practice have to be negotiated, suggested that such a procedure would facilitate the operation of an arrangement. He pointed out that the zones envisaged would probably embrace a wide geographical area and that the problem of different freight rates from exporting countries would arise.

The representative of Australia preferred, as a working hypothesis, a zonal approach, which had the advantage of relative simplicity.

The representatives of Denmark and the EEC favoured a single reference price whilst admitting that, in particular cases, pertinent economic problems might justify departures therefrom.

Whilst noting the differences of view in this regard, the Sub-Group considered that these differences might disappear when consideration was being given to the establishment of actual reference price levels.

(c) Observance of reference prices

Exporting countries represented on the Group indicated whether they would be in a position to undertake obligations as regards the observance of reference prices. The representatives of Australia, Ireland and New Zealand said that machinery already existed in their countries for the observance of reference prices. The representatives of Argentina, Austria and Denmark stated that their Governments would be prepared to introduce the necessary measures to enable them to meet their commitments in this regard. The representative of the European Economic Community pointed out that with the creation of a

single market in the Community, the control over export prices effected by Community restitutions would be even stronger. The representative of the United States indicated that the question might be purely hypothetical but he pointed out that, should his country become an exporter of butter, it was probable that control over export prices could be effected by the amount of subsidy paid, although no legislation existed to enable the control of export prices per se.

The representative of the United Kingdom said that his Government could not both maintain the present quota system and accept that reference prices should apply to the United Kingdom market. He noted, however, that, should the United Kingdom continue to maintain the quantitative regulation of butter imports, a reference price might have relevance to Article 6 of INT(66)592 (measurement and limitation of export subsidies).

The representative of the EEC said that the Community was not of the view that the United Kingdom market should be treated separately and would wish to see the present quota system replaced by a reference price mechanism.

The representatives of Australia, Denmark and New Zealand indicated that their governments would wish to see the maintenance in the United Kingdom of a system based on the quantitative regulation of butter imports.

The representative of the EEC said that, if a reference price system were established, the Community would have to modify its levy system so that two levies would apply: the one to participants in an arrangement, which, in principle, would observe the reference price; and another to non-participants; an additional charge would be established to the extent that the reference price was not respected. Such a system would benefit participating exporters which, under the present system, may have been adversely affected by the imposition of high levies established to counteract low priced butter offerings from other sources.

The Sub-Group recognized that, as only a small number of importing countries were participating in its work, it could not reach any conclusion on the practicability of a system based on the observance of c.i.f. reference prices since this would depend upon the willingness, to enter into commitments of the type proposed, of a larger number of importers than had indicated their positions in the Sub-Group. The representative of the EEC added that the applicability of such a c.i.f. system postulated, at least, that the importing participants in an arrangement should be in a position to guarantee that the reference price would be respected on importation.

Reference Price Levels and Quality
Differentials

(a) Reference price levels

The Sub-Group recognized that it was not competent to enter into discussion on actual reference price levels and that these would, essentially, be a matter for negotiation. It noted, however, that negotiations on reference prices would in practice have to be based on certain criteria and there was some discussion in the Sub-Group as to the most desirable criteria to be adopted.

The representatives of exporting countries stated that, whatever criteria were employed in the negotiation of reference prices, the reference prices themselves should be higher than the prevailing market prices. They noted that it was a desirable objective in the formulation of an arrangement on dairy products that prices should be at such a level as to provide a remunerative and satisfactory return to producers.

The representatives of Denmark and the EEC suggested that it might be appropriate to give consideration in negotiations to the establishment of c.i.f. prices which would give a remunerative return to producers in New Zealand, which was the largest exporter of butter, had not resorted to production subsidies and could be regarded as the most efficient producer.

The representative of New Zealand provided a table (attached hereto as Annex A) indicating the equivalence between the guaranteed New Zealand producer butter-fat price and the London ex store price for butter. He pointed out that for the present New Zealand guaranteed price of 33.9 pence per lb. the break-even London ex store price would have to be \$923 per metric ton (at freight rates ruling in September 1966) whereas, in fact, the present ex store price was about \$827 per metric ton.

The representatives of the EEC and the United Kingdom suggested that it might also be appropriate to take into consideration, in the negotiations on reference prices, actual c.i.f. prices in a previous representative period as well as the present market prices. The representative of the United Kingdom added that importers as well as exporters might have good reason to suggest that, in order to make the best use of these price data in negotiation, some adjustment might be necessary.

The New Zealand representative submitted a second table (attached hereto as Annex B) showing the volume of New Zealand exports to the United Kingdom and other markets (by zone), together with c.i.f. prices realized for sales to these different destinations over a three-year period, June 1963-May 1966 and corresponding f.o.b. prices. He observed that the United Kingdom c.i.f. price was based on an ex store price minus handling and storage costs, advertising and agents' commission.

The representative of Australia, noting that two broad approaches to the problem were being advocated, suggested that a third possibility, appropriate for certain countries such as the United States and Canada, might be to base reference prices on domestic prices.

The Group took note of the fact that there were a number of technical problems inherent in the approaches suggested, in particular:

- (i) c.i.f. statistics were not available for all import markets and even f.o.b. figures with respect to occasional and sporadic exports were not a very useful guide;
- (ii) the selection of a representative reference period for c.i.f. prices might give rise to some difficulties;
- (iii) whilst it might be appropriate to use ex store prices in the United Kingdom, a problem would arise in deriving a c.i.f. price for the United Kingdom on this basis, particularly as differences between ex store and c.i.f. prices in the United Kingdom might vary;
- (iv) consideration might have to be given as to whether more than one country's exports should be employed for arriving at c.i.f. reference prices, particularly as the geographical distance between exporters was a significant factor;
- (v) account would also need to be taken of certain special factors in particular markets, including, notably, those where prices had been affected by imports of subsidized butter.

Apart from the technical issues, the Sub-Group noted that levels of reference prices would depend on what was agreed upon with respect to other elements of an arrangement. At the same time, these provisions should be such as to ensure that the agreed reference prices would be attained. The Sub-Group also took note of the fact that the levels of reference prices would have implications for the working of provisions, in any arrangement, for the measurement and limitation of subsidies; however, consideration of subsidies lay

outside its present terms of reference. Finally, it was recognized that, particularly if negotiations of reference prices were to be based on past statistics, it would be desirable, to the extent possible, that other exporting countries, and perhaps even importing countries, should provide data similar to those tabled by New Zealand.

(b) Quality differentials

The Sub-Group addressed itself to the question of quality differentials and considered, in particular, whether differentials were needed for markets other than the United Kingdom and how best the differentials should be expressed.

There was a general consensus in the Sub-Group that some quality differentials would be desirable for the United Kingdom market.

The representatives of Denmark and the EEC suggested that it would be necessary to select some objective criterion on which to base differentials and they proposed that a distinction between sweet and sour cream butter would be appropriate. These representatives felt that, as the structures of other markets tended to differ from that of the United Kingdom, it would not be appropriate to apply differentials in other markets.

The representative of Australia said that his delegation had not taken any final decision as to whether the differentials should be applied to any market other than the United Kingdom, but considered that, if differentials were applied, they would not necessarily be those agreed for the United Kingdom. He suggested that as regards the United Kingdom market the best approach might be to establish differentials on the basis of origin since, in practice, there was a close correlation between origin and type. He proposed the following structure for such differentials (based on choicest quality):

- (i) Danish and unsalted Dutch
- (ii) Irish
- (iii) New Zealand finest
- (iv) Australian choicest
- (v) Blending butters

Commenting on the Australian suggestion, the representative of Denmark pointed out that there was certain producers of butter, such as France, whom it would not be appropriate to place in the fifth category.

The representative of New Zealand suggested that differentials would have to be applied not only to the United Kingdom but to other markets as well in order to reflect accepted quality variations. He pointed out that the reference price system, if adopted, would be an entirely new factor in these markets and that past trade and price patterns would not necessarily be a reliable basis on which to judge whether the differentials should be built into the reference price system; Without these differentials the price structure itself might create certain distortions.

The Sub-Group noted that the magnitude of quality differentials themselves would vary in accordance with reference price levels established. It recognized, too, that it would be necessary to introduce flexibility into the system by the provision of revision procedures.

Annex A

GUARANTEED PRICE EQUIVALENTS OF LONDON EX STORE PRICES*

BUTTER

London ex store \$ per metric ton	Guaranteed price d/lb.
744	25.6
772	26.8
799	28.1
827	29.4
854	31.7
882	32.0
909	33.3
923	33.9
937	34.5
965	35.8
992	37.1
1,020	38.4

*Using data supplied by Dairy Board, September 1966.

Annex B

PRICES RECEIVED FOR SALES OF NEW ZEALAND CREAMERY SALTED (FINEST AND FIRST GRADE)
BUTTER (BULK) IN THE SALES YEAR 1 JUNE TO 31 MAY

Market	1963/64			1964/65			1965/66			Average 1963/4, 64/5, 65/6		
	Quantity metric tons	C.i.f. price \$ m. ton	F.o.b. price \$ m. ton	Quantity metric tons	C.i.f. price \$ m. ton	F.o.b. price \$ m. ton	Quantity metric tons	C.i.f. price \$ m. ton	F.o.b. price \$ m. ton	Quantity metric tons	C.i.f. price \$ m. ton	F.o.b. price \$ m. ton
United Kingdom ²	156,525	878.377	826.849	153,002	899.233	845.054	151,924	808.923	754.519	153,851	862.429	809.076
Other markets (zones) ³												
Africa, Mediterranean and Middle East	895	906.442	827.778	8,019	1,016.551	939.304	10,222	875.599	799.344	6,379	936.542	859.325
Asia and Pacific	2,317	890.570	806.875	1,113	980.114	898.822	2,903	960.243	864.852	2,278	941.342	853.212
Caribbean, Central and South America	5,035	955.085	878.396	5,051	1,001.439	922.872	4,744	929.791	858.420	4,947	962.807	887.178
North America	202	1,108.373	886.680	188	1,146.466	909.765	200	1,145.505	912.645	197	1,133.437	902.837
Europe	3,012	918.109	853.077	650	962.023	899.500	452	887.358	826.731	1,371	921.727	844.838
Total other markets	11,451	931.274	856.105	15,531	1,007.129	927.719	18,522	906.511	826.355	15,171	947.081	848.549
Total all markets	168,037	881.981	828.842	168,533	909.175	852.671	170,445	819.527	762.356	169,022	876.025	814.413

¹ Exchange rate 1 sterling = US\$2.80.

² United Kingdom c.i.f. price = ex store price for sales from consignment stocks minus United Kingdom port handling and storage charges, advertising, and agents' commission.

³ Sales made in year stated. The quantity figures do not correspond to export figures. Deliveries are not usually made until some time after the sale.

Note: United Kingdom c.i.f. prices, because the large United Kingdom advertising costs and heavy consignment storage is deducted, are probably artificially low (for 1965/66 by about \$27.556 per metric ton), and a better basis for the comparison of the United Kingdom market price with the c.i.f. prices in other markets would be the ex store United Kingdom price.

Source: New Zealand Dairy Board.

Group on Dairy Products

INT(67)77
16 March 1967

REPORT OF SUB-GROUP ON ITS MEETING
ON 9 AND 10 MARCH 1967

1. The Sub-Group met on 9 and 10 March 1967 in order to examine the technical problems relating to the provisions on export subsidies in Article 6 of the secretariat draft INT(66)592 and on disposal of surpluses in the paper submitted by the delegation of New Zealand (INT(67)77).

2. The following countries were represented:

Argentina	Ireland
Australia	New Zealand
Austria	Switzerland
Denmark	United Kingdom
European Economic Community	United States

Poland was represented by an observer.

3. Statements made in the Sub-Group were without commitment and ad referendum.

4. The Sub-Group addressed itself first to the provisions on export subsidies contained in Article 6 of the secretariat's draft (INT(66)592). The representative of Ireland said that, in view of the present situation in his country's agriculture, his Government could not for the time being accept commitments on export subsidies.

5. Several members of the Sub-Group stressed the central rôle of Article 6 and pointed out that one of the basic objectives of a general arrangement was the containment of export subsidies on a basis that would avoid the disruption of normal trade channels.

6. It was generally recognized that the concept of a per unit limitation of export subsidies contained in paragraph 1 of Article 6 was consistent with this objective and with the proposed provisions of Article 4 (Reference prices). There was, however, some discussion on a generally applicable definition of the internal price that would serve as the upper bench-mark for this purpose. The Sub-Group considered that it would be preferable to refer to an internal price as specified for each participating country in an annex. The representative of the EEC said that for the Community, the representative level of the internal price to be inserted in the annex was the threshold price. (Several members questioned whether the intervention price might not be more appropriate.)

7. The representative of the European Economic Community considered that, as regards the measures covered by Article 6, reference should be made to "export subsidies or refunds". The representatives of the EEC and Denmark suggested that the annexes referred to should also contain specific provisions to take account of any internal taxes or charges that are reimbursable or not applicable to exports. The Sub-Group agreed to leave discussion of these questions to a later stage.

8. The Sub-Group considered that the provisions of paragraph 2 might prove difficult to enforce. Nevertheless, it was pointed out that some such safeguards against undercutting might be desirable, depending in part on what was agreed for the remainder of the Article. It was therefore agreed to leave aside discussion of paragraph 2 for the time being.

9. The representatives of Argentina, Denmark and New Zealand stated that they attached great importance to the provisions of paragraph 3. The representative of Australia said that provisions that used the concept of the self-sufficiency ratio in relation to exporting countries would cause difficulties to his delegation. He recognized the importance of provisions to limit the use of export subsidies but considered that the provisions in paragraphs 3 and 4 required strengthening, to enable the Article to meet its objective of avoiding harmful trade effects.

10. The representative of the United States stated that his Government was willing to negotiate a reduction or elimination of export subsidies, in unit or global terms. He could visualize quantitative limitations with respect to export subsidies, based on past performance, provided a suitable historical basis could be found. The representative of Denmark stated that a commitment in terms of absolute quantities would also be acceptable.

11. The representative of the United Kingdom expressed doubts whether the use of the self-sufficiency ratio based on a previous representative period was the most suitable method of measurement for the purpose of limiting the volume of export subsidization; in particular, it did not take full account of any current distortion of trade nor of the possible opening up of new commercial markets. The representative of the EEC stated that he could not accept the provisions of paragraph 3. Any change in the attitude of the EEC with respect to those provisions would depend, on the one hand, on satisfactory attainment of equivalence of the commitments entered into by the participants as a whole, and, on the other hand, on the taking into consideration, in the attitude of its partners, of the Community's interest in exports of dairy products. Furthermore, the Community could not recognize the historical situation of the world butter market as the only valid basis for the commitments envisaged. It was doubtful that agreement could be reached within the Group on provisions including such a principle.

The New Zealand and the Danish delegations suggested the following wording for paragraph 3:

"Participating countries shall not grant any subsidy on exports of butter in excess of the level indicated by the application of the self-sufficiency ratio as defined in paragraph 5 of this Article."

12. The representative of Australia considered that paragraph 4, which made reference to Article XVI of the GATT, should be made more specific, in particular by incorporating in it explicitly the concept and definition of equitable shares in export trade. The Sub-Group agreed to examine this suggestion when the delegation of Australia has submitted a draft text for paragraph 4. The representative of the EEC stated that in his view such a new text should not in any case comprise any explicit reference to Article XVI of the GATT.

13. The Sub-Group felt that in view of possible changes to paragraph 4, it was preferable not to consider further paragraphs 3 and 5 for the time being.

14. The Sub-Group examined a proposal relating to surpluses submitted by the delegation of New Zealand in the form of a draft of Article 3 (INT(67)77). Several members said that they could accept the approach outlined in paragraph 1 namely that a participating country which had exceeded its self-sufficiency ratio should take measures to correct the internal balance between supply and demand, nevertheless they considered that this provision should become operative only when a world surplus existed, and that this should be made clear in the text. This might necessitate a separate definition of surplus conditions, for example on the basis of maximum stocks. The representative of the EEC, while recognizing that the proposed provisions were well-founded and while concurring in the considerations expressed, stated that he could not accept that the criterion for those provisions to become operative should be the self-sufficiency ratio.

15. Other members of the Sub-Group could not accept the criterion of a self-sufficiency ratio in this connexion. Some members were ready to consider the possibility of using stock levels as a triggering mechanism. The representative of New Zealand pointed out that while it might be possible to relate corrective action to the stock situation, a far more accurate picture of the impact of domestic policies on a surplus situation could be obtained through the combined use of the self-sufficiency ratio and the level of support in relation to the reference price.

16. The representative of Australia suggested that the text should also take account of the terms under which export sales are made. He proposed the following definition:

"Surpluses are defined as quantities above normal stocks which cannot be sold at the reference prices on usual commercial terms. Sales made for credit will be considered as commercial transactions provided that such sales are consistent with the reference prices and conform to usual market practice at terms no more than years and interest rates no more than per cent prevailing rates charged by the International Bank for Reconstruction and Development/."

17. With respect to paragraph 2, the Sub-Group considered that there was a risk of duplication between its second part and Article 6 (Export subsidies).

18. The representatives of Australia and Argentina said that they agreed with the need to devise a bench-mark to distinguish between high and low cost producers and therefore they could support the ideas contained in paragraph 3. The representative of Denmark doubted the necessity for this paragraph, if the commitments under paragraph 1 were firm enough; moreover, he questioned the wisdom of placing the responsibility for judgment and recommendations too fully on the Council. He agreed, however, with the proposer and Australia, that if the provisions of paragraph 3 were needed, they would have to include a bench-mark for measuring support levels. The representative of the EEC said he could not accept the second part of paragraph 3. It would not be possible for him to recognize the proposed new concept as valid, whatever its applications, because in the view of the Community, no valid conclusion could be drawn from a simple comparison, in terms of figures, of the support margins in existence in various countries. The representative of the United Kingdom pointed out that the surplus-support index did not appear applicable to the United Kingdom. The representative of the United States said he found it difficult to accept this paragraph, and especially its last part, because of the links with paragraph 1, and pointed out that a country which had difficulties to assume commitments on domestic policies could not accept to have these policies reviewed by others in the context proposed by this paragraph.

19. The representative of New Zealand recalled that his delegation's proposal contained a suggested wording for paragraph 6 of Article 1 (Objectives) regarding food aid. Paragraphs 4 and 5 of Article 8 contained the relevant provisions, essentially in the form of principles and broad guidelines, the detailed implementation of which was being left to the Council. The Council would presumably institute action on a pilot scale in the first instance, and be guided by experience subsequently. The Sub-Group felt that while the question of food aid was essentially a matter to be negotiated by the Group on Dairy Products, it was desirable to have a quantitative assessment of the likely costs involved as soon as possible. The Sub-Group agreed that if a Council were set up, among its tasks would be to promote consumption of dairy products in less-developed countries and that, in the gradual accomplishment of its task, it would be guided by practical experience.

20. There was some discussion of the criteria for financial contributions, which was left open.