CONSULTATION ON BUTTER OPENS ON 17 APRIL

Consultations on the butter marketing situation in the United Kingdom commenced in Geneva today. Countries participating include those contracting parties which are the main suppliers of butter, as well as certain other countries associated with the work of the GATT who are also interested in the problem.

The consultations were arranged by the GATT Council at its meeting on 24 March under terms of Article XXV:1 of the Agreement, at the request of the Government of New Zealand.

During recent months the Government of New Zealand has become increasingly concerned about the fall in butter prices on the London market and about the marketing prospects in general in the months ahead. Since January 1960 the price of New Zealand butter in London has fallen from £410 per ton to £250 at the present time. The present price is much lower than prices ruling in almost all other countries and cannot be regarded as economic even for a specialist producer such as New Zealand.

The New Zealand Government's concern is accentuated by the fact that butter is one of New Zealand's four main export products and accounts for about 18 per cent of export income. The fall in butter prices has been an important factor contributing to the worsening of New Zealand's balance-of-payments position in recent months. As a result of the fall in export prices New Zealand's external exchange receipts for butter fell from £60 million in 1959 to £45 million in 1960 and on present prices the total returns for butter will be even lower in 1961. The overall deficit in New Zealand's balance of payments in 1960 was £27 million and the fall in receipts for butter was an important contributor to this. As a result of the balance-of-payments situation, New Zealand has been compelled to take action recently to intensify import controls in order to check a further serious decline in New Zealand's overseas reserves.

The main cause of the depreciation of prices has been the pressure of supplies on the United Kingdom market as well as the existence of substantial stocks. For the three years 1955/57 United Kingdom imports of butter amounted to an annual average of 342 thousand tons, whereas for the three-year period 1958/60 average annual imports amounted to 411 thousand tons. Butter production in Europe has increased in recent months and stocks are considerably higher than at the same time last year.

New Zealand has noted with considerable concern that exports from a number of countries are made with the assistance of export subsidies and that in almost all cases a greater or lesser degree of dumping appears to be present.

In these consultations New Zealand is seeking the co-operation and help of contracting parties and other interested countries in finding a solution to this difficult situation.

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