1. A consultation on the marketing of butter in the United Kingdom which opened on 17 April, was completed on 20 April. The decision to convene this meeting of interested importing and exporting countries was taken by the GATT Council on 24 March, when it was recognized that there was an urgent situation arising from the present trend of price levels in the United Kingdom market and from the possibility of further deterioration in the situation during the next few months. The request for the consultation was made by the Government of New Zealand, which had, during recent months, become increasingly concerned about the fall in butter prices on the London market and about the marketing prospects in the months ahead.

2. The countries which participated in the consultation recognized the gravity of the situation and that the outlook for butter imports into the United Kingdom market in the near future made it necessary for governments to consider the possible adoption of urgent short term measures in order to avoid a crisis such as the one which occurred in 1951.

3. The consulting countries agreed to the following analysis of the elements contributing to the decline in the price level:

(a) Supply has increased more than demand, and as a result of the free play of the law of supply and demand on the London market there has been a serious drop in prices. The uncertainty in the market is further aggravated by the existence of unusual stocks in a number of countries which might find an outlet on the United Kingdom market.

(b) In recent years there has been an upward trend in the level of total supplies. The small suppliers have on the whole delivered more significant quantities and have taken a greater share of the United Kingdom market.

(c) Although prices received on the London market are regarded by exporters, even the most efficient producers, as uneconomic, supplies have continued at a high level. This situation cannot be maintained in the long run without some form of government support or reduction in farm income or both. The price and marketing policies of many countries have involved increased sales on the United Kingdom market at heavily subsidized prices.
(d) The United Kingdom is the only significant market without quantitative import restrictions of general application on butter. No measures are applied to control prices on the market.

4. In their conclusions the representatives of the consulting countries drew special attention to the fact that certain Articles of the General Agreement, notably Article VI (which deals with dumping and the recourse to anti-dumping duties) and Article XVI (which says that subsidies cannot be used to secure more than an equitable share of world trade) could be applied to certain aspects of the present situation.

They also noted the proposals and recommendations made by the OEEC Committee of Deputies of the Ministers of Agriculture and Food concerning the marketing of butter, at their meeting of 13-14 April; in view of the urgency of the present situation, they considered that - apart from any steps that might be taken in terms of specific provisions of the GATT - these proposals and recommendations, which aim at improving market conditions, should be regarded as a guide for governments in defining their policies with respect to the marketing of butter.

The first set of recommendations adopted by the Council of the OEEC, in 1958, were as follows:

(i) To promote increased consumption of milk and dairy products by such measures as propaganda, free or cheap distribution.

(ii) To raise butter consumption in particular, especially by reducing the retail price and charging special prices for refrigerated butter.

(iii) As far as the exporting countries are concerned, to restrict as far as possible the supply of subsidized butter on the international market, especially by taking steps to dispose on their home markets of all or part of the surplus which threatens to flood the market. To this end, no new subsidies should be granted for the export of butter and the existing subsidies should be cut.

(iv) As far as importing countries which protect their markets are concerned, to bear in mind the effects which their import restrictions have on prices on the markets which remain open, to refrain from reinforcing such restrictions and to relax them as early as possible, with a view to the progressive improvement and restoration of the trade situation.
A second set of Recommendations was adopted by the Committee of Deputies in September 1960, under which:

(i) OEEC countries which are not traditional suppliers of butter to the United Kingdom market were invited to avoid exporting - directly as well as indirectly - to that market.

(ii) OEEC countries which are traditional marginal butter suppliers to the United Kingdom market were invited to export only normal quantities to that market and thus endeavour to reduce the present gap between their butter prices and prices quoted by the main suppliers on that market.

(iii) OEEC countries which are important traditional suppliers were invited also to endeavour not to exceed the quantities normally exported in this period to the United Kingdom market.

(iv) Greater efforts should be made to increase sales on the home market, notably by price reductions for consumers as a whole or for certain groups of consumers. The incorporation of more butter fat in liquid milk and dairy products should be contemplated if this is calculated to bring about greater total consumption of milk fat.

(v) At the same time, in order that efforts of Member countries to deal with the situation are not nullified by abnormal sales on the United Kingdom market, as the main importing country, it was invited to discuss this understanding with other countries supplying butter to that market who are not Members of the OEEC.

In recalling these two sets of Recommendations, and in particular those which concern the restraint on sales to the United Kingdom market, the Committee of Deputies, at their meeting of April 1961, underlined that they should not be considered as tending to freeze the former export positions and do not prejudge future developments in the respective positions of the various exporters on the United Kingdom market. However, even if the Recommendations cannot be interpreted in too rigid a way, they should continue through the coming months to be the guide to governments in their efforts to stabilize the market.

5. It was agreed that at their eighteenth session, to be held in May 1961, the Contracting Parties should consider the action taken in accordance with the above recommendations and the means by which the conditions in the butter market might be kept under review.

6. Thus, the proposed co-operative action, taken by the OEEC on a regional basis towards improving the current marketing position of butter, has been extended to take account of the interests and obligations of all the parties concerned, within the framework of the General Agreement.
7. The countries and intergovernmental organizations which took part in the consultation were Argentina, Australia, Austria, Canada, Denmark, Finland, France, Federal Republic of Germany, Irish Republic, Italy, Kingdom of the Netherlands, New Zealand, Norway, Poland, Sweden, Switzerland, Union of South Africa, United Kingdom, United States, the European Economic Community, the Food and Agriculture Organization and the Organization for European Economic Co-operation.