1. At the suggestion of New Zealand, it was agreed at the nineteenth session of the Contracting Parties that a Working Group on Marketing of Butter should be set up with the following terms of reference:

To review further the actions and plans of countries principally concerned in applying measures designed to achieve the removal of the basic causes of butter marketing problems, particularly as such measures relate to internal policies affecting production, consumption, domestic prices and imports of butter.


2. The Group reviewed the market situation and noted that production of milk and butter had been expanded in 1961 in practically all countries and it was expected that production would go on increasing. Consumption on the other hand was not keeping pace with the increase in production. In fact, consumption had remained relatively stable with slight increases in some countries and a distinct falling off in others. Stocks of butter in a number of countries were still increasing.

If these trends continued in the future, present problems in international trade in butter were likely to become even more serious. Preliminary results of a study being prepared by the FAO confirmed that this trend would continue in the future and that the more rapid growth of production than of consumption would result in surpluses which could not be absorbed.

3. The Group examined the measures that had been taken or were contemplated by importing and exporting countries to bring about more orderly marketing arrangements, to restrain a further increase of milk production, to promote the consumption of butter in order to decrease existing high butter surpluses, and to find new outlets for butter exports to markets other than the United Kingdom.

4. In a review of measures taken by governments to counter problems which had arisen through the rapid increase in production of butter in many countries and the pressure of surpluses on the export market, the Group reaffirmed the soundness of the recommendations made by the Council of the OEEC in 1958 and 1960.
The Group endorsed the recommendations of the fourth report of the OEEC Ministerial Committee for Agriculture and Food, and in particular those aiming at:

- continually encouraging the consumption of milk and dairy products;
- limiting guarantees to milk producers;
- encouraging farmers to shift from dairying to the production of other commodities for which market prospects may be better;
- limiting aids to export and relaxing import restrictions;
- seeking new outlets for surpluses by welfare distribution on the home market and abroad.

The Group noted that some governments had taken some of the recommendations, referred to above, into account in framing their policies and had made serious efforts to increase internal consumption or to withhold the export of subsidized butter. On the other hand, it could be concluded that the supplies of subsidized or dumped butter on the international market had continued to be substantial.

5. In the last months of 1961 exports to the United Kingdom have all been governed by the arrangements made by the United Kingdom under which a restricted programme of shipments had been instituted. These arrangements are due to terminate on 31 March 1962. The Group noted that since the entry into effect of this programme the United Kingdom market had been strengthened somewhat through a rise in the general level of butter prices. On the other hand, while the present arrangements had brought about an improvement in prices on the United Kingdom market, stocks had continued to increase in some of the producing countries and the longer term aspects of the butter marketing problem remained unsolved.

There was a widespread feeling in the Group that there was a need for the continuance in the short term of some form of limitation on the supplies of butter reaching the United Kingdom, in order to prevent a serious situation again arising in that market.