GENERAL AGREEMENT ON
TARIFFS AND TRADE

CONTRACTING PARTIES
Eighteenth Session
15-19 May 1961

THIRD REPORT OF COMMITTEE II

Note by the Chairman
Corrigendum

The attached two pages have been inadvertently left out of document L/1461 and should be inserted between pages 12 and 13.

* English only/Anglais seulement
8. The market in dairy products suffers from the difficulty of establishing a representative world price quotation. Domestic protection of dairy industries at the frontier and at the farm has resulted in a stimulation to production in some countries with the result that surplus dairy products from these countries are generally disposed of on the United Kingdom market with the aid of some form of export or production subsidy.

9. In most countries, butter marketing is the residual outlet for milk surpluses after supplying other uses. Butter shows relatively the lowest returns in comparison with other dairy products, and the international butter market, in particular in the United Kingdom which is the only free import market of any importance, is highly unstable.

II. Production, consumption and trade

10. There has been a considerable increase in total world milk production in recent years compared with the period before the war. The indications are that this trend will continue.

11. During this period, cow numbers have increased in many countries and productivity per cow has increased in most.

12. The increase in milk production has been most marked in the European countries which have traditionally imported dairy products or which are minor exporters.

13. The Committee notes that in an assessment of the prospects the FAO in its yearbook, The State of Food and Agriculture, 1960, concludes that there is a strong possibility for the growth of world production of dairy products to exceed the increase in effective demand for these products in the world as a whole, and that this would result in an accumulation of surpluses in the next few years.

14. Total exports of butter from the major and minor exporters have come close to regaining their respective pre-war levels (in tonnage). Exports from the major exporting countries (in total) regained their pre-war level some years ago, but in recent years their export tonnage has not risen significantly. The exports of the minor exporting countries have risen rapidly in recent years, particularly with the entry into the export market of former importers, or the entry on a larger scale of countries which were formerly very small exporters, who now dispose of their domestic surpluses to a greater extent on the international market. The rise in butter exports from a number of minor exporters, however, has not been to an extent which brings their exports above the pre-war level. The effect of export increases in other dairy products has, however, resulted in a situation in which the minor exporters have increased their total exports of dairy produce, in particular in recent years, to an extent that brings their level of exports very substantially higher than the pre-war level.

1For background information and statistics see documents COM.II/86/Add.1 and COM.II/86/Add.6.
III. Non-tariff measures

15. In its examination the Committee has found that there is a wide variety of non-tariff devices applied. The use of these devices is very widespread, and extends, in some form or another, to all but three of the thirty-four countries examined by the Committee. The exceptions are countries of little importance as producers or consumers of dairy products, and therefore of little significance to world trade in such products.

16. The Committee found that for dairy products both deficiency payments systems and price support systems are widely used, but that price support systems are considerably more widespread than systems of deficiency payments.

17. As a means of implementing price support, the use of quantitative import restrictions has been found to be particularly widespread. In over three quarters of the thirty-four countries consulted, imports of all or some types of dairy products are subject to quantitative restrictions. In very few cases can restrictions be justified on balance-of-payments grounds only. The statistical analysis prepared by the secretariat indicates that of total butter and cheese production in the countries examined, 84 per cent and 59 per cent of production respectively occurred in countries applying quantitative import restrictions. In addition to quantitative restrictions, the Committee's examination shows that approximately two thirds of the thirty-four countries employed government subsidies, whereas a few countries employed import levies. Only 4 per cent of butter production and 37 per cent of cheese production was not protected by non-tariff measures.

IV. Effects of non-tariff measures

18. Although from the information available the Committee has found it impossible to come to a concrete evaluation of any effects of the widespread non-tariff measures on trade in dairy products, there is general agreement that these measures do affect production, consumption, trade and prices.

19. The Committee recalls that during the country consultations it had found that support policies, which involved maintaining domestic or consumer prices of dairy products above prices ruling in international transactions, generally require the regulation of the flow of external and internal supplies. The Committee notes that in the case of dairy products, the level of domestic prices in most countries is generally substantially higher than the prices ruling in the international market. It is evident to the Committee that quantitative restrictions and other non-tariff devices operated by most of the important consuming countries generally have a restrictive effect on imports of dairy products into those countries.

20. In discussing the increase in milk production it is recognized that technological advances play an important part. It is apparent, however, that the use of non-tariff devices to protect and support domestic producers also has contributed in some part to increased production even though the exact

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1See synopsis of non-tariff measures contained in document COM.II/112 and area of trade covered by non-tariff measures in document COM.II/86/Add.7/Rev.1.