INTERNATIONAL DAIRY COMMITTEE

In the course of the Kennedy Round trade negotiations, in connexion with the work relating to dairy products, the Director-General had a number of informal, valuable contacts with the International Dairy Committee, an international body whose members are the milk producers and milk marketing organizations of thirteen countries.¹

In a communication addressed to the Director-General dated 14 October 1967, the Committee gives a review of its activities in the last few years and of its most recent action. The text of this communication, which it is considered may be of value for any discussion on dairy problems during the twenty-fourth session, is herewith circulated to contracting parties for their information.

In the autumn of 1965, the International Dairy Committee and its member organizations submitted to the governments of the most important dairying countries and to certain international bodies a reasoned outline proposal for an International Dairy Council. The reception of this proposal was so encouraging that, in May 1966, the Committee summarized the comments which it had received in the form of a progress report, which was circulated in the same way as the original proposal.

In its conclusion, the Committee drew attention to the fact that most governments had indicated the "Kennedy Round" and the Dairy Group established within GATT, as the most appropriate forum of initial discussion. The Committee, therefore, expressed the earnest hope that the Dairy Group should find an early opportunity of discussing the proposal for an International Dairy Council and of negotiating a scheme acceptable to all interested governments; the GATT secretariat, which also supported the proposal, circulated the documents prepared by the Committee to all member countries.

¹These countries are: Australia, Austria, Canada, Denmark, Finland, France, Ireland, Netherlands, New Zealand, Norway, South Africa, Sweden, United Kingdom.
The Committee deeply regrets the lack of success of the negotiations on an international commodity agreement on dairy products in the course of the recent GATT negotiation, though it is significant that all constructive proposals discussed in the Dairy Group involved the establishment of a body broadly in line with the Committee's proposal. The most positive lesson of the work of the Dairy Group may well be recognition of the fact that, in view of the complexities of the international dairy situation, it would be advisable to tackle in the first place the problem of setting up a suitable permanent body with broadly defined aims as a framework for discussion, consultation and the administration of eventual commodity agreements, and to use it for solving the difficult technical and economic problems which will have to be solved before satisfactory commodity agreements can be worked out.

In the documents referred to above, the Committee has outlined the functions which the International Dairy Council should undertake in order to provide the international dairy industry with the solid basis, which is at present obviously lacking.

The Committee is in favour of the conclusion of a comprehensive international commodity agreement for dairy products, but it has no illusions about the difficulties of achieving such an agreement. However, this does not exclude specific and immediate action for anticipating difficulties in international trade and preventing friction arising from the lack of adjustment of national dairy policies. The Committee's detailed proposals are contained in a report, entitled *Stabilizing Dairy Produce Markets*, which contains specific suggestions about the way in which the International Dairy Council could improve the balance of supply and demand in international trade, pending the conclusion of a legally binding international agreement.

Similarly, the Committee has made specific proposals on the action of the International Dairy Council in the development of new outlets and the organization of surplus disposal, with a view to assuring regular supplies and the organization of joint services on the planning and preparation of long-term schemes of market development.

The Committee's proposals were thus based on the belief that international action was required in two different, but related fields: the creation of a more stable framework for international trade in dairy products and the expansion of demand in developing countries through organized surplus dispositions. Developments in the recent past have increased the urgency of effective measures in both fields.

*One copy of this report has been sent to each contracting party.*
The last few years have witnessed a progressive contraction of the area in which international trade in dairy products is not subject to special rules, such as the United Kingdom butter quota system and the operation of the Common Dairy Policy of the European Economic Community. More recently, in July 1967, the United States Government imposed, in the words of the Secretary of Agriculture, "sharp restrictions" on imports of dairy products into the United States. Should the United Kingdom and other European countries join the European Economic Community in the near future, the regionalization of international markets would be intensified and the need for international action to prevent imbalances in trade between countries and groups of countries would correspondingly grow.

At the same time, there have been important changes in the trend of supply and demand in different parts of the world: milk production in many European countries is increasing at a greater rate than consumption, and this trend is not limited to the major producing countries of Western Europe. On the other hand, there has been a significant interruption, and perhaps a reversal, in the expansion of milk production in North America accompanied by a setback in the consumption of milk and dairy products.

It is also possible to detect at present a cleavage in the market situations for butterfat, where a burdensome and dangerous accumulation of surpluses is taking place in many countries, and milk protein, where at least so far, demand has been strong enough to absorb supplies on commercial terms, though there are signs of weakening markets even in this field. At the same time, there has been a decline in the quantity of skim powder imported on concessionary terms by developing countries, as a supplement to their own insufficient milk supplies, which has caused considerable difficulties in a number of countries.

The Committee respectfully draws your attention to some recent statements on questions of international agricultural policy which are directly and urgently relevant to the position in the dairy industry.

In its introduction to the Tenth General Report on the activities of the European Economic Community, the European Commission states:

"In the longer run, however, a better organization of international markets will not be possible unless discipline is achieved in domestic agricultural policies and the commercial policies of the world's principal producing and importing countries. This necessity, combined with the need for food aid on a large scale, will call for the gradual formulation of an international agricultural policy."

Nobody can deny that this necessity is particularly urgent in the dairy field.
The Honourable Orville Freeman, United States Secretary for Agriculture, in referring to the lessons of the "Kennedy Round" in the agricultural field, has made the following proposal:

"We should start by focusing our attention on individual products or, at most, product groups, and we should seek to deal in depth with the barriers affecting them. I think we should start such explorations among key countries in the very near future."

The approach to near-crisis conditions in the international trade in dairy products suggests that such explorations are nowhere more needed than in dairying.

A recent Food and Agriculture Organization document (Inter-Agency Study of Multilateral Food Aid, CCP/67/13, Revision 1) refers to the possibility that "specialized commodity bodies" could take over the procurement of supplies needed for multilateral food aid:

"This would allow governments to make simultaneous arrangements for the safeguarding of commercial trade in food aid commodities and for some co-ordination of their commodity pledges within the context of specialized trade negotiations or commodity consultations. It would also allow the aid programme to benefit fully from the expertise of the commodity bodies." (paragraph 109)

No commodity body is at present in existence for dairy products and the International Dairy Council proposed by the Committee would seem eminently suitable to fill this gap.

Thus the International Dairy Council is the factor common to the plans discussed in the GATT Dairy Group, to the growing need for a body striving at equilibrium and expansion in world trade and to the planned use of surpluses for improving the nutrition of the most vulnerable groups of the population in the developing countries.

Meeting in London in October 1967, the International Dairy Committee decided to approach interested governments and international organizations with the request for urgent action in this sense, and I have the honour of bringing to your notice the text of its Resolution:

"The International Dairy Committee is deeply concerned about the grave deterioration in the outlook for dairy produce markets. The favourable season now drawing to a close in the Northern hemisphere has added to the record stocks of butter, cheese and other milk products. These now overshadow the world's markets and could lead to the most serious crisis in the dairy industry since 1961."
"A constructive solution of the periodical difficulties confronting the dairy industry can only be found through the organized action of governments and industry representatives on an international level. The Committee, therefore, calls on the governments of the main dairying countries and on the international organizations concerned with the well-being of trade and agriculture to deal urgently with this situation. This will require the creation of an International Dairy Council with the tasks of improving the balance between supply and demand in international trade, eliminating friction between national dairy policies and taking positive measures for the expansion of demand and the disposal of surpluses. Its activities would also create the conditions for an effective international dairy products agreement for the stabilization of markets.

"The results of the "Kennedy Round" in the industrial field demonstrate that success is possible - and the dangers of delay should be a spur to governments and international organizations to take a new initiative which would have the full support of responsible producer representatives throughout the world."

The initiation of such action is, in the first place, a matter for governments, but I hope that your organization will feel able to endorse the Committee's assessment of the situation and to support any practical proposals arising from it.