CONSULTATION ON THE MARKETING OF BUTTER IN THE UNITED KINGDOM

Statement by the Representative of New Zealand

The New Zealand delegation welcomes the statement of the representative of the United Kingdom, particularly in its emphasis on the serious situation in the British butter market. We also welcome the British Government’s statement that in its opinion the present meeting will bring about a speedier solution to the problem than would other possible courses of action.

I believe all the governments represented here will agree that the depressed state of the United Kingdom butter market is a matter of very serious concern. But it seems that we have developed the habit on the several occasions on which butter has been discussed in GATT this year, of agreeing on the state of affairs but doing virtually nothing about it. We are glad to note from the United Kingdom's representative's statement that his Government is taking the lead in pressing for a solution.

Leaving aside the attempts New Zealand and some others have made to improve the situation by direct representations to the governments most concerned, let us examine what has emerged from international consideration of this question this year.

Early this year it was already apparent to my Government and others that the additional supplies coming on to the British market through dumping and subsidizing were going to force prices down further from their unsatisfactory level in January. In an attempt to achieve action within the spirit of GATT, by agreed co-operation or "joint action", my Government asked that a consultation be called under Article XXV.

This meeting in April last endorsed the view of the Committee of Deputies of the OEEC in April 1961 that the depressed state of the market was a matter of grave concern - as to both expected supplies and current stocks. The GATT meeting went on to say - as had the Committee of Deputies - that urgent short-term measures should be considered in order to avoid a crisis of the nature of 1958.

At that meeting New Zealand made specific proposals which would have contributed to an improvement in the situation, but agreed to the wish of some European countries at that consultation that instead the participants should take the OEEC proposals as a guide to their actions in marketing butter. Broadly, the guides which participants so adopted were that OEEC countries which did not usually export to the United Kingdom market should avoid exporting to the United Kingdom market; that others should export only "normal" quantities to that market; that efforts should be made to increase domestic consumption; that guarantees to milk producers be limited and that aids to export be limited and import restrictions relaxed.

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Particularly as it had been persuaded that an endorsement of the OEEC proposals, rather than pressing its own proposals would be the better course to follow, my Government was entitled to expect that some positive action would be taken.

The next consultation in June showed that while some action had been taken by countries, it was not such as to have any significant effect on the export of dumped and subsidized butter to the United Kingdom. This is not to underestimate the efforts of certain governments to improve domestic consumption. Without those efforts, the situation would no doubt have been worse. But the fact remained that at the time my Government was obliged to reconsider its position in July and August, the market was still heavily burdened with supplies and threatened with large stocks.

The report of the June consultation had stated:

"It was recognized, however, that the present scope of such programmes (the programmes referred to in the June report) was not sufficient to bring about any improvement in the grave situation on the United Kingdom butter market. Moreover little action had been taken by consulting countries to reduce domestic butter prices which in most countries were high. It was evident that given the present state of the United Kingdom market exports from such countries could over a longer period only take place with some form of assistance. Again, no substantial progress had been made in the reduction of import restrictions. To the extent that these restrictions reduced opportunities for additional outlets of butter they contributed to the unsatisfactory character of trade in butter. As these restrictions were widespread the United Kingdom market remained the only large open market for butter."

The reports of both the April and June consultations had drawn attention to the relevance of Articles VI and XVI of the GATT. The June report had said that "there was a general feeling that the present situation had resulted from a trend which could be clearly identified by 1957 and had continued apart from a temporary recovery in 1959, until mid-1961".

In the view of my Government - and I believe this view is shared by most - it can hardly be denied - this trend since 1957 has been the result of dumping and subsidizing, in a number of cases by relatively recent entrants on to the United Kingdom butter market.

Bearing these elements in mind - that New Zealand had done its utmost to settle the problem by procedures agreed in GATT; that those efforts had borne no fruit; that the consultations had confirmed the relevance of Article VI to aspects of the situation; and that the root of the problem lay in subsidizing and dumping practices, my Government was left with no other course but to lodge an application to the British Government for the imposition of anti-dumping and countervailing duties on imports of dumped and subsidized butter into the British market. My Government made it clear to the Government of the United Kingdom at the time that the countries named in the application were examples of dumping and subsidizing suppliers. Others were also obviously involved.
but the countries named at the time of the application were those which were involved in a heavy degree of dumping or subsidizing and which had also substantially increased their share of the British market in recent years. Over the same period New Zealand's share of the market has been falling - and this is a continuing trend judging from the figures for the first eight months of 1961 and the estimates for the whole of 1961.

New Zealand is of course not the only country in this position, but it can be said that New Zealand is the most gravely affected by it.

For many of the suppliers to the British market, butter is a relatively small export. Butter exports to them are only marginal to their heavy production for domestic consumption. Any subsidies they pay are a relatively small part of the national budget. The additional income their farmers receive from the exports that are sent to the United Kingdom cannot be very large in itself.

Apparently with these factors in mind, some exporting countries have argued that their contribution to the present grave situation on the British market is only minor. In fact, the cumulative effect of recently increased exports from the countries referred to in the Danish and New Zealand application to the British Government has been to increase their share of the market from about 6 per cent to about 19 per cent since 1956, the year before the start of the deterioration in the British butter market which the June consultation described in its report. Their actions, which might appear almost insignificant to them, have resulted, for New Zealand, in a smaller share of the market at a lower price.

I have no doubt that some members of this meeting genuinely believe their individual contribution to the present situation to be only marginal. I would re-emphasize that it is the total effect of all their actions that matters on the British market. At the same time, we might justifiably ask the countries concerned whether the effect of disposing of their own surplus butter in their own individual markets would not be as insignificant as they claim its disposal is on the British market.

I have referred to the effect on New Zealand and have expressed the belief that the present situation bears more heavily on New Zealand than it does on any other supplier. This has been made clear in the earlier consultations and on other occasions, but I should like to draw the meeting's attention to the main reasons why this is so.

About one third of New Zealand's national income is derived from exports and virtually the whole of our exports are primary products - mainly dairy products, meat and wool. Dairy products accounted for 26.5 per cent of our merchandise exports in the March year 1959-60 and butter by itself for nearly 20 per cent in that year. One fifth of the value of our merchandise export earnings came from a single product. The fact that the proportion of butter to our total export earnings has dropped to 13.6 per cent in the March year 1960-61 does not reduce the importance of butter to us - it merely reflects that virtually the whole of the drop in our total export earnings for the year was attributable to the fall in butter receipts. About half the fall in New Zealand's reserves was attributable to the fall in butter receipts. The other half was, in broad terms, attributable to a rate of importing from the rest of the world (and most of those imports came from Europe, North America and Australia) which we are no longer able to sustain. We have taken measures, sufficient we hope to arrest the decline in our reserves and preferably to
rebuilt them from the present level which are the equivalent of under eight weeks of New Zealand's overseas payments. Without the fall in butter receipts our reserves would have been higher by one third.

Let us consider this alongside the effect on the dairy industry of the fall in prices.

Prices for New Zealand butter on the London market have been reflected in a continued fall in the New Zealand dairy producers' prices for butterfat. The fall has been of the order of 15 per cent compared with the year immediately prior to the 1958 crisis. In turn this has led to an even greater drop in dairy farmers' income, since many of their costs are inflexible. A major result of this has been a falling tendency in the number of cows in milk. These have dropped by about 110,000 over the period in question. Of course yields have been maintained and there have been some good seasons, but this does not alter the fact that the trend in the numbers of our production unit, the dairy cow, has been substantially downwards.

It is paradoxical, and hardly consistent with the broader more fundamental aims of GATT, that one of the efficient world producers of butter should be put into this position while dairy farmers in most, if not all, other producing countries should be improving their circumstances. I believe it true that the present butterfat payout to New Zealand dairy farmers is substantially less than the producer price in any other important dairying country.

For most countries here the mainspring of economic activity is industrial. New Zealand shares with many countries which are not at this meeting a heavy dependence on farming, and for us that is both the basis of the economy and the factor which regulates our economic progress. If farming suffers, the whole economy suffers. Factories and most other parts of our economy rely to a large extent on the exchange earnings produced by the farms for their raw materials and capital equipment. We are doing our best to reduce this heavy dependence but the only abundant raw materials we have are soil, climate and farming technology. In the meantime any major reduction in our farm income leads directly to a major reduction in our imports.

We combine this reliance on a few farm export products with heavy dependence on one market - that of the United Kingdom and again particularly for dairy produce. About 90 per cent of New Zealand's exports of butter were sold in the United Kingdom last year. We would be ready to diversify our markets if this were possible, but I hardly need to explain to contracting parties here why we cannot.

It is because of these factors, and the lack of any effective international action, despite our efforts, to ease the burden on the British butter market, that we could see no other way than to lodge an application with the British Government. In doing so we were conscious of the action of this year's consultation meetings in GATT in drawing particular attention to the relevance of Article VI of the Agreement.
New Zealand is seeking, and it is appropriate to seek it under GATT, since most countries enjoy it for most exports, merely reasonable access to markets at fair commercial prices without the disruption caused by dumping or subsidization of surpluses (in the case of the United Kingdom market) and without the imposition of quantitative restrictions or complete embargoes in other markets.

This is not an unreal or unreasonable aim. It is no more than was sought by the Economic and Social Council which at its thirty-second session adopted a resolution in which it called upon governments of highly industrialized countries to pursue national and regional agricultural policies which encourage and make allowance for an expanding world commercial trade in agricultural products especially by avoiding excessive agricultural protection, and which avoid prejudicing the trade prospects of efficient producers from outside their countries and regions.

Mr. Chairman, we have not been able today to add much to what we have said on so many occasions in various meetings within the GATT.

Our case rests consistently on the same principles and these cannot change. With the United Kingdom delegation, however, I believe a substantially new situation has arisen because of the Danish and New Zealand applications to the British Government.

May I summarize now the main elements of the present situation as we see it:

The British butter market is in a seriously depressed state, and this is generally recognized not only by the countries affected, but by the international and regional organizations which have given it their attention.

The cause of the serious situation on that market is to be found particularly in the heavy increase in supplies of dumped and subsidized butter being sent to that market.

Especially because of the grave effects on our economy and dairy industry, the New Zealand Government has made application to the United Kingdom Government for the imposition of anti-dumping and countervailing duties, which would undoubtedly have an effect on large quantities of the supplies entering the British market.

We understand that the purpose of the present meeting is to find whether some other method can be found by which the countries concerned can agree to reduce supplies to a level which would result in a return to economic prices on the United Kingdom market.

We would also hope to see, apart from any short-term measures that might be agreed at this meeting for the easing of the present difficult situation, the implementation of the recommendations previously adopted as guides, particularly those which relate to the increasing of domestic consumption and the reduction of import barriers, and aids to exports.