ARTICLE XXII - CONSULTATION ON BUTTER

Record of Meeting held at the Palais des Nations, Geneva, on 12-15 September 1961

Introduction

1. The Government of the United Kingdom notified the Executive Secretary that it had received applications from the Governments of Denmark and New Zealand for the imposition of anti-dumping or countervailing duties, pursuant to Article VI of the General Agreement, on imports of butter into the United Kingdom coming from certain supplying countries. The Government of the United Kingdom requested the Executive Secretary in accordance with the procedures laid down in paragraph 1 of Article XXII to convene a meeting of representatives of the exporting countries principally concerned with the marketing of butter in the United Kingdom, to discuss the situation on the United Kingdom butter market with a view to reaching agreement amongst exporting countries concerned on measures to meet the present difficulties.

2. Following the request of the United Kingdom, a consultation on butter was held from 12 to 15 September 1961. The meeting was presided over by Mr. E. Wyndham White, Executive Secretary. Representatives of the following countries attended the meeting:

- Argentina
- Australia
- Denmark
- Finland
- France
- Ireland
- Netherlands
- New Zealand
- Norway
- Poland
- South Africa
- Sweden
- United Kingdom

A representative of the European Economic Community also participated in the consultation and the FAO and the CAC were represented by observers.

General discussions

3. In an opening statement, the delegate of the United Kingdom briefly described the present abnormal butter market situation in the United Kingdom. He urged that some solution should be found now to ease the difficult butter market situation in the United Kingdom and that measures...
should be taken to restore the confidence of traditional suppliers. It appeared that many countries - not necessarily only those named in the Danish and New Zealand applications - were subsidizing and dumping butter exported to the United Kingdom market. A study of the statistics revealed the magnitude of the supplies reaching the United Kingdom in this way.

In August the Governments of Denmark and New Zealand applied to the United Kingdom Government for the imposition of anti-dumping or countervailing duties on butter from certain named countries which they considered to be dumped or subsidized and to be causing or threatening material injury to their dairy industry. In the view of the United Kingdom, the Governments of Denmark and New Zealand had a *prima facie* case under the British Customs Duties (Dumping and Subsidies) Act 1957, but as the examination of these requests would take some time, it was considered that it would be in the interests of all the countries concerned to have a prompt discussion of the whole problem with a view to relieving the present depressed state of the United Kingdom market by agreement to restrain the quantities of subsidized and dumped butter sent to the United Kingdom. If, unfortunately, this aim was not achieved at the present meeting, the United Kingdom would be left with no option but to go ahead with its own examination of the Danish and New Zealand requests and subsequently, if the examination warranted such action, ask for a waiver under Article VI:6(b) of the General Agreement for the purpose of levying anti-dumping or countervailing duties on imports of butter as provided for in the United Kingdom Act.

4. The representative of Denmark fully supported the statement of the United Kingdom delegate and added that, as butter prices were progressively declining and stocks were increasing, the situation in the United Kingdom market was very disturbing to his country. This problem was of the highest importance to Denmark as exports of butter to the United Kingdom constituted 10 per cent of its total export earnings. Danish farmers were not able to produce butter profitably at current prices and had already sustained a loss of at least £10 million. He expressed his disappointment with the results of the previous consultations under the General Agreement and of the recent consultations on butter with the O.E.C.D. countries, none of which had so far led to any progress on this particular question. All countries exporting butter to the United Kingdom felt that the condition of the butter
market was deteriorating day by day, but they had not been able to agree on practical steps to ease the situation. Earlier meetings in GATT had predominantly been concerned with the causes of the difficulties in the butter market and the Danish Government considered it inappropriate to resume this discussion at the present stage. It was extremely urgent that a solution was found very soon and the Danish Government would therefore not take a dogmatic attitude as to the type of solution that might be agreed upon. If an ad hoc arrangement to improve the situation were achieved at the present meeting, Denmark would thus be prepared to contribute her share within reasonable limits. If such arrangement could not be agreed upon, Denmark would, however, have to rely on measures which the United Kingdom Government might take in the terms of its own legislation.

5. The delegate of New Zealand welcomed the statement made by the United Kingdom delegate and emphasized the importance of butter exports to the United Kingdom in relation to the economy of his country. The full text of the New Zealand statement is attached to this record.

6. In the course of the general exchange of views, representatives of some countries described in more detail the situation in their own countries. A summary of these statements follows below. The Irish delegate circulated a written statement, and this is also attached.

7. The representative of Argentina explained that the production and trade of butter in his country was completely free. He made clear that there was no direct relation between movements in the prices of butter on the domestic and on international markets. Export prices of Argentine butter were dependent on prices on the British market and did not benefit from subsidization. He pointed out that since approximately 96 per cent of his country's export trade consisted of agricultural products, the Argentinian economy was seriously injured by declining prices for such products.

8. The representative of Poland pointed out that there was no relation in his country between internal and international prices. The prices mentioned in the paper, referred to in the New Zealand request, were based on the tourist rate of exchange, but this exchange rate was not applicable to trade in butter so that price comparisons could not be made.

9. The delegate of Australia said that it was dangerous and misleading for participants in the consultation to state simply that countries generally
were either subsidizing or dumping butter on the United Kingdom market. The relevant provisions of the General Agreement had something to say about the effects of such practices and this was an important point. Provisions relating to material injury and equitable shares had to be looked at. He pointed out that his country was a traditional supplier to the United Kingdom market and noted, in particular, that exports from Australia in recent years had declined by reference to any reasonable past representative period. Australia had a very high per capita consumption of butter and the real price of butter in the domestic market as related to wage rates had reached its lowest point for a considerable number of years. The Australian delegation was prepared to participate without commitment in an examination of any suggestions made.

10. The delegate of South Africa pointed out that conditions of trade were not invariable but changed continually and that shares in the various markets must fluctuate from time to time. South Africa was a marginal producer and, depending on the climatic conditions, it had to import butter in certain years, while in other years the production was such that exports were possible. Due to the recent mild winter the production of butter was 15 per cent higher than last year and this surplus would have to be disposed of.

11. The representative of Finland emphasized the difficulties caused by the climatic conditions due to the geographical position of his country and the extremely short growing season resulting therefrom. Although these conditions were not favourable for agricultural production, Finland was traditionally, on account of her social and economic structure, a producer of agricultural products, in particular of dairy products. For its exports, it was to a large extent dependent on the United Kingdom market, to which market it had been exporting butter since 1630, being thus one of the oldest traditional suppliers. With reference to the recommendations of the OMC, he stressed that Finland has done her utmost to comply, both externally and internally, with the recommendations set forth with the result, among others, that Finland's consumption figures for butter and milk rank among the very highest in the world. With a view to stabilizing the United Kingdom butter market Finland was prepared to consider the necessary concerted action provided that all exporting countries will receive a fair and equitable share of the market.
12. In the general discussion the representative of the United Kingdom proposed that the consulting countries should first endeavour to establish the relevant facts, which had led to the present situation, such as the level of prices, the amount of stocks, the degree of consumption, the level of subsidization, etc. Subsequently it should be considered what quantities of subsidized or dumped butter needed to be withheld from the United Kingdom market in order that the market could be stabilized at a reasonable price level.

13. The delegate of France expressed the view that it would be of little value to go into the causes of the situation, as it was doubtful whether agreement could be reached in establishing them. In his view, the consulting countries should first agree on the question whether the current prices were too low, and subsequently the objective of the consultation should be to establish what a more equitable price level should be. The crux of the problem was in his opinion to obtain a reasonable price for butter. He therefore suggested that some sort of solution should be worked out, aiming at a certain desirable price level in the United Kingdom, for instance at a first stage a price level, previously referred to by the New Zealand representative, in the vicinity of 315 shillings per cwt.

14. In the course of the general discussion, representatives of all consulting countries submitted their most recent export statistics including forecasts of exports to the United Kingdom during the fourth quarter of 1961. Revised estimates were distributed in document GT(61)25/3.

15. In reply to a question as to the price level on which the forecasts were based, the representative of New Zealand made it clear that the forecasts had necessarily to be made on the basis of current prices. He considered that a price increase in the last three months of the year would not affect imports in any considerable way, although some effect on the consumption of butter would be possible.

16. While the general exchange of views led to a consensus of opinion that the present supply position of the United Kingdom butter market was unhealthy and had led to abnormally low prices, there was a difference of opinion as to the ways and means to be worked out which would lead to a strengthening of the market and the restoration of more normal prices. The majority of
consulting countries did not support the French suggestion that a certain price level should be attained by means of minimum price arrangements. They preferred to consider a voluntary scheme whereby limitation of supplies of butter to the United Kingdom market would lead to a gradual strengthening of the market by the operation of normal economic forces.

Technical questions

17. In the course of the general exchange of views described above, a number of questions were raised of a specific technical character and which could therefore be more appropriately discussed by experts. It was agreed that such discussions should take place on the understanding that the experts would consider only the technical aspects of certain hypothetical propositions without committing their delegations in any way.

18. On the assumption that agreement could be reached to restore a more normal situation in the United Kingdom butter market through some limitation of exports, the two main questions to be considered were firstly, what the order of magnitude of supplies should be and, secondly, what would be the most appropriate duration of any arrangements of this kind.

19. In the general exchange of views a number of delegations made suggestions on these points. Thus, the representative of the United Kingdom pointed out that according to estimates, which were based on estimated supplies of butter during the last quarter of 1961, stocks in the United Kingdom would amount at the end of the year to some 70,000 tons. In the view of his delegation any proposed solution should aim at a reduction of stocks to 30,000 tons by the end of the year.

20. The representative of Denmark, taking as an estimate a total supply of 500,000 tons for the present year, including United Kingdom domestic production of 48,000 tons, considered that a reduction over a period of one year by 100,000 tons seemed advisable, so that the total supplies during the next twelve months should not exceed 400,000 tons.

21. The representative of the Netherlands compared the relatively normal situation in 1957, when butter prices fluctuated between 300 and 350 shillings per cwt. with the recent situation, and recommended that a reduction of imports by 60,000 tons should be considered for the forthcoming twelve months.
22. In the meeting of experts there was a consensus of opinion that the magnitude of the restraint on supplies and the period during which such restraint should be effective were directly related. The difficulty of making reliable forecasts for a period beyond the beginning of next year, in particular for the countries of the southern hemisphere which were now entering their main production season, made it in some respects advisable not to decide on an arrangement at this stage which would cover a period longer than three months. Furthermore, prices were now so low that immediate action should be taken to prevent a further decline. On the other hand, it was felt that restriction of supplies during a short period only would place an unfair burden on the countries which have their peak production during this period; an arrangement extending over one year would tend to even out any inequalities between the countries of the southern and the northern hemispheres. It was further emphasized that provision should be made to guard against the possibility that arrangements for a short period might lapse at the end of that period and thus frustrate any improvement which might have been made. In particular, over a short period stocks of butter which were withheld from the United Kingdom market, might accumulate and be disposed of on the United Kingdom market at the end of the period. The experts took into account that a short period would provide certain technical problems, but that a long period would bring about a different set of problems, and that these various problems were contradictory. It was consequently felt by the majority that a medium period of six months, from 1 October 1961 to 31 March 1962, would seem most appropriate provided that adequate procedural arrangements could be agreed upon as to a further extension of the scheme.

23. With regard to the quantities to be withdrawn from the United Kingdom butter market, the experts considered that the withholding of some 45,000 tons during this period could be considered as being of sufficient magnitude as to lead to some definite strengthening of the market. Although some representatives had indicated in the general discussion that a price of 315 shillings per cwt. would constitute a reasonable target for any arrangement, the experts considered it impossible to state whether a reduction of supplies by 45,000 tons would lead to an increase of the price to such a level and they recommended that no target price should be indicated.
24. In considering the effects on prices of stocks in the exporting countries, the experts concluded that to the extent that the withdrawal of supplies from the United Kingdom market caused stocks to increase in the exporting countries, this would diminish to some extent the amount by which such withdrawal would strengthen the United Kingdom market. But in such a situation the exporting countries might well take steps to reduce production of butter or to increase domestic consumption, so that stocks in these countries would not build up to the same extent. Moreover, this effect would be increased by making it clear in the terms of any proposed agreement that the existence of the stocks at the end of the period of the agreement would not be allowed to frustrate its purpose.

25. In agreeing on the quantity to be withheld from the United Kingdom market, the experts had in mind that according to the estimates, as revised during the general discussion by the representatives concerned, a quantity of approximately 125,000 tons would be imported into the United Kingdom during the fourth quarter of this year. For the first quarter of 1962 no reliable estimates could be given, but reference could be made to the first quarter of 1961, during which 126,000 tons had been imported. There were even certain indications that this figure might be substantially higher in the first quarter of 1962.

26. A reduction of imports by 45,000 tons might best be divided in such a way that the reduction in the fourth quarter of 1961 would amount to 25,000 tons and in the first quarter of 1962 to 20,000 tons. According to the experts, this would mean that if the United Kingdom market had to absorb no more than 100,000 tons in the last quarter of the current year and not more than 106,000 tons in the first quarter of the next year, a strengthening of the market might be expected. This breakdown was given on the understanding that the figures were not to be considered in too rigid a way but that a limited flexibility would have to be afforded within the total of 206,000 tons in the six months' period.

27. It was considered in this context that the placing on the market of existing stocks held in the United Kingdom, together with imports now contemplated, would have to be phased to avoid undue market fluctuations. It was felt, however, that those concerned with the actual marketing of butter would frame their own marketing policies in such a way as to avoid this possibility.
23. In discussing the possibility that an arrangement could be frustrated by a considerable increase of supplies of non-participating countries, it was considered that the group of participating countries would meet from time to time to review the actual movements and to discuss the situation. It was also suggested that the Government of the United Kingdom by its system of general licensing was in a position to effect a control on imports. The representative of the United Kingdom pointed out that according to his estimates it was to be expected that not more than 2,000 tons would be available from countries not represented at the consultation.

29. With regard to the means whereby the exporting countries would bring about restraint of their own exports, it was considered that this should be left to the countries concerned. They could implement the scheme by way of influencing marketing agencies, or by way of a system of export licensing, or by any other appropriate method.

Final discussions

30. Subsequently informal discussions were held between the heads of delegations to investigate the possibility of reaching some agreement on the basis of the conclusions reached by the experts.

31. During these discussions the question arose whether an arrangement to restrict supplies of butter to the United Kingdom would constitute a commodity agreement and whether it was an agreement between governments or exporters. It was felt that the ad hoc arrangement envisaged would not be a commodity agreement, but would be a concerted action by which all exporting countries concerned undertook to co-operate in strengthening the United Kingdom market by restraining their supplies to an extent to be agreed upon. In a brief discussion on the merits of the United Kingdom itself introducing either quantitative restrictions or a minimum price system to meet the present situation, the consensus of opinion was strongly against such proposed solutions.

32. A number of delegations indicated their preparedness in principle to participate in a scheme of restricting supplies; other delegations made their willingness to take part in such a scheme subject to the proviso that all exporting countries would participate and/or that an allocation of the shares of the market would be based on the percentage share of individual exporting countries in one or other reference period; other delegations
were not able to express any firm view and believed that further examination of all possibilities should be undertaken at the current meeting; some delegations asked whether the United Kingdom Government would itself take action which would contribute to a solution of the problem.

33. The leader of the New Zealand delegation made it clear that he could not commit his Government to participate in any agreement if this agreement was to have the characteristics of a market sharing arrangement. He considered that the supplies of his country were competitive with the supplies of any other country and New Zealand was probably the only country which had succeeded in abstaining from dumping practices. The situation on the London market was in his view mainly to be attributed to the dumping and subsidization policies of other countries and his Government had undertaken continued action before the CONTRACTING PARTIES to consider ways and means to improve that situation. Therefore, his Government would not be prepared to undertake any reduction of New Zealand supplies to the United Kingdom. He was, however, prepared to make estimates of the supplies his country expected to send to the United Kingdom during the period under discussion in the light of seasonal production and the New Zealand shipping programme already prepared. Such estimates could be considered as firm and he could give an assurance that there was no prospect that New Zealand supplies would be expanded so as to frustrate any supply programme agreed to by the other consulting countries.

34. The leader of the United Kingdom delegation emphasized that the production of butter in the United Kingdom did not represent a share of more than 10 per cent of the domestic market and that it was not to be expected that his Government would take any specific measures to reduce butter production.

35. As to the period suggested by the technical group, the heads of delegations were of the view that it would be essential, if the arrangement were limited to the two quarters from 1 October 1961 to 31 March 1962, for there to be a firm commitment by all consulting countries to convene again in the early part of next year to review the situation and to consider, in the light of production, market and any other relevant information, the need for further collaboration, together with the United Kingdom, in avoiding, at the expiry of the arrangement, a repetition of the situation which had led to the present meeting.
36. In the course of the discussion the Executive Secretary put before the heads of delegations an outline of a possible restrictive shipping programme designed to achieve stabilization on the United Kingdom butter market. This outline indicated what, in the view of the Executive Secretary, would be the most equitable shares of a maximum quantity of 210,000 tons to be shipped to the United Kingdom market during the fourth quarter of this year and the first quarter of next year. The Executive Secretary emphasized that this outline had no official status. It was merely a dispassionate attempt to provide the basis for a solution. He had prepared the programme on the basis of a number of objective criteria, viz. the share of the United Kingdom market of each supplying country during a representative period (from 1 September 1956 to 1 April 1960); the degree of subsidization or dumping by individual countries; the per capita home consumption of butter in the countries concerned; and finally account had been taken of seasonal factors.

37. Although some representatives were prepared to accept the programme as put forward, some others wished to refer the matter back to their governments; some indicated that at first sight the programme was not compatible with the share of the market they considered appropriate and, finally, some others did not express any opinion.

38. No French expert took part in the meeting of experts referred to in paragraphs 22 - 29. Nor did the French representatives take part in the general discussion summarized in paragraphs 30 - 38 to the extent that the discussion related to suggestions made by the above-mentioned experts. In the opinion of the French representatives, these suggestions cannot lead to any recovery in the price of butter on the United Kingdom market, and in their opinion such a price recovery should be the objective. Furthermore, they consider that the problem cannot be solved without constant co-operation between all the importing and exporting countries concerned; there was no real discussion of any measures which might be taken by an importing country in the working party convened on the initiative of the United Kingdom.

39. The Executive Secretary was authorized to reconvene the meeting later in September, if necessary, after consulting with governments.

40. The text of a press release agreed on at the meeting is attached as Annex III.
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.
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 the 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 out 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 exports 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.
ANNEX II

IRISH ATTITUDE TO DANISH AND NEW ZEALAND APPLICATIONS FOR
ANTI-DUMPING AND COUNTERVAILING DUTIES

1. The situation on the British butter market is of great concern to Ireland, which has been supplying butter to the United Kingdom for over a century.

2. Ireland's exports to the British market and her share of that market in recent years has been less than pre-war. In the post-war years prior to 1956/57 conditions on the British market were abnormal and rapidly rising home consumption absorbed the bulk of production in Ireland.

3. The most significant increases in imports to Britain compared with pre-war have been from New Zealand, Latin America and Eastern Europe. New Zealand has increased her share of the market from 28 per cent pre-war to 40 per cent in 1958 and 1959 and 36 per cent in 1960. The Irish authorities consider that countries which have increased their deliveries of butter compared with pre-war to a market which has not expanded have contributed substantially to present difficulties.

4. Irish exports have been carefully restricted in accordance with recent recommendations of the OEEC and GATT. The bulk of exports go to local markets in Northern Ireland. The quantities going to Great Britain are extremely small and any effect on London price quotations must be insignificant. Moreover Ireland has so far refrained from following recent price reductions made by other countries.

5. Ireland's milk production is based almost entirely on grass. The price paid for milk is about the lowest in Europe. Milk production is integrated with beef production and the scope for further orientation away from dairying (in accordance with the generally accepted recommendations for solving the problems of the dairy industry in the long term) is limited. An element of stabilization in the price of milk is essential. The subsidy to butter which this involves is paid unambiguously by way of State subvention through recoupment of export losses in which the producer participates.

6. The Irish authorities are satisfied that recent prices on the British market have not been sufficient to cover costs of production in any country and that all exporters to the British market are supporting their exports in one way or another. They are aware, for example, that the price charged for butter sold on the Danish home market exceeds the price at which it is sold for export. They also understand that certain funds have been provided by the New Zealand Government to assist butter exports from that country. The Irish authorities consider, however, that a solution to the basic problem of equating supply and demand in the dairy products market cannot be found in resort to anti-dumping or countervailing procedures in one of the dairy products. The current conditions in the international market are a serious threat to the whole Irish economy, affecting as they do the welfare of the cattle and dairying industries. If therefore it is intended to seek remedies through anti-dumping procedures, the Irish authorities will have no option but to consider invoking corresponding action to protect their own interests.
ANNEX III

INTERNATIONAL MEETING ON BUTTER MARKETING IN THE UNITED KINGDOM

1. The United Kingdom Government notified the Executive Secretary, General Agreement on Tariffs and Trade, on 21 August that it had received applications from the Governments of Denmark and New Zealand for the imposition of anti-dumping or countervailing duties on imports of butter from certain countries, pursuant to Article VI of the General Agreement, and that these applications are being urgently examined. The United Kingdom Government requested that in accordance with the procedures laid down in paragraph 1 of Article XXII, a meeting of all the countries principally concerned with the marketing of butter in the United Kingdom should be held at an early date.

2. In accordance with the request, representatives of thirteen countries, who met from 12 to 15 September 1961 closely examined the present and prospective supply position of butter. They discussed various possibilities designed to strengthen the United Kingdom market. The delegations will report to governments on these discussions. The Executive Secretary was authorized to re-convene the meeting later this month, if necessary, after consulting with governments. It was also agreed that governments should be invited to give continued attention to measures recommended at earlier GATT consultations designed to mitigate over-supply of this commodity, especially on the United Kingdom market.

3. The following Governments were represented at the meeting:

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<th>Argentina</th>
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<td>Australia</td>
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<td>Denmark</td>
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The meeting was also attended by a representative of the Commission of the European Economic Community and observers were present from the FAO and the OEEC.