Introduction

Dairy production is protected in all temperate zone producing countries. The various methods of protection in individual countries and their possible effects on production, consumption and international trade have been studied and examined by Committee II in the consultations held with most contracting parties during the years 1959-61. Since the information submitted by consulting countries for the Committee II consultations was supplied some time ago, more recent developments in dairy policies in some of the important producing countries is given below.*

Australia

Australian dairy production is protected by means of a government sponsored stabilization arrangement in combination with a voluntary price equalization scheme within the industry.

A producer controlled body, the Australian Dairy Produce Board, is the sole exporter of butter and cheese to the United Kingdom, which takes 80-90 per cent of total Australian exports. Exports to other markets are carried out by private traders subject to terms and conditions laid down by the Board.

Under previous stabilization arrangements a price was guaranteed to the producers covering all butter and cheese sold for domestic consumption plus a quantity of exports equal to 20 per cent of domestic production. The price guarantee was effected by means of a system under which proceeds from domestic sales and exports were pooled; secondly, a government subsidy was determined annually and, thirdly, the ex-factory price of butter and cheese was fixed by the Government.

*The attention of the Pilot Group may also be drawn to the documentation prepared by FAO: "National Dairy Policies in advanced countries" (FAO Commodity Policy Studies No. 12) followed by four annual reviews on changes in national dairy policies.
Under the present stabilization arrangement, for the five years commencing 1 July 1962, there is no longer a price guaranteed by the Government but the full responsibility for the domestic price policy is exercised by the industry. The Government subsidy has been fixed at £A13.5 million; this is in fact the same amount as was paid under the previous five-year stabilization scheme. The subsidy applies to all factory production of butter and cheese and butterfat products with a minimum of 40 per cent of butterfat content.

The existence of large domestic surpluses of all dairy products leaves small scope for imports but some types of cheese are regularly imported. There are no import restrictions on any dairy products but most imports are subject to moderate tariff duties.

Processed milk products containing less than 40 per cent of butterfat do not participate in the stabilization arrangement nor the price equalization scheme. However, since 1962, the Government has provided a small export subsidy for these products to assist processors to compete against subsidized exports from other countries. This subsidy was limited to £A350,000 for 1962/63, and to £A500,000 for 1963/64.

Canada

Under the Agricultural Stabilization Act, 1958, price support in Canada is mandatory for butter and cheddar cheese at a level of not less than 80 per cent of the average market price of the preceding ten years. In addition, dried skimmed milk has been supported, but not on a regular basis. The support is effected by purchases made by the Agricultural Stabilization Board of products at the support price. The net costs of support programmes are carried by the Treasury.

The support price of butter amounted to 64 cents per lb. in recent years. From 1 May 1962, the Board resold butter to the domestic market at 52 cents per lb. Beginning May 1963, the Agricultural Stabilization Board was authorized to both buy and sell butter at 52 cents per lb. A compensatory payment equivalent to 12 cents per lb. of butter is paid to producers of milk used for butter if they do not also sell milk to the fluid milk market. The support price of cheddar cheese has changed from year to year and amounted to 32.5 cents per lb. from 1 May 1963. A support programme for dried skimmed milk was in effect in 1957 and 1958, but was discontinued in September 1959 with the intention of diverting milk from butter and skimmed milk powder. Skimmed milk powder is now purchased at times of heavy production to stabilize the market. Special purchases of whole milk powder by the Agricultural Products Board were made in the period May to December 1960, and this had some supporting effect on the dairy products market.
In addition to the support purchases, a subsidy of 30 cents per 100 lbs. is granted to producers delivering milk for manufacturing into cheddar cheese only, providing no part of their milk production is sold for fluid use.

The marketing of whole milk to the consumer is controlled by a Milk Control Board in each province except Newfoundland. The Boards exercise discretionary powers in establishing maximum, minimum or fixed prices at which milk may be sold to consumers.

Stocks from the Agricultural Stabilization Board are released both on the domestic and on foreign markets, in some instances under special donation programmes.

Imports of butter, cheddar cheese, dried skimmed milk and butter fat (excluding concentrated milk products and cheese) are controlled under the Export and Import Permits Act.

**Denmark**

The prices received by the Danish dairy industry for their products, and consequently the returns to the milk producers, depend greatly on prices made on exports of butter. In order to stabilize the fluctuations in butter prices on various export markets a stabilization fund is operated by the Butter Export Board, through which it is ensured that all dairies receive the same so-called "settlement price".

In 1959 with the introduction of the Home Market Scheme for Milk and Dairy Products, domestic prices were partially insulated from international influences. The Minister of Agriculture was authorized to determine the home market prices for milk and dairy products so as to ensure that these prices did not fall below a certain level. The level was fixed at DKr.6 per kilogram of butter. If prices fell below this minimum, a tax was imposed and the proceeds of the tax were paid to the dairy industry.

The scheme was discontinued in January 1961, when the producer organizations themselves decided to maintain a stable price on the home market for butterfat in all dairy products regardless of changes in international prices. The price fixation is subject to approval by the Monopoly Council. At the introduction of the new system the domestic price was raised from DKr.6 to DKr.7 per kilogram of butter. During 1961 and 1962 the price was raised three times and the price is now DKr.8 per kilogram of butter. In this connexion it should be noted that only one third of the total production of dairy products is consumed on the home market.
In the framework of the Danish Grain Marketing Scheme provisions have been made for the levying of charges on imports of skimmed milk powder, so that the price of imported skimmed milk powder can be maintained at a level of about Dkr. 1.50 per kilogram. The proceeds of this levy are used to reduce the price of domestic skimmed milk powder for feeding purposes. In 1962 and 1963 this levy amounted to Dkr. 3.1 million.

Imports of dairy products except cheese (heading 04.04) are subject to quantitative import restrictions.

Finland

In Finland the target price for milk is determined annually according to the provisions of the law on agricultural prices. This law ensures parity between the prices of agricultural products and the prices of certain cost items. There is, however, a quantitative limitation to the price support in that any increase in the total amount of milk marketed over the corresponding total of the base period (production year 1963/64) is eligible to receive only the current world market price. There is no individual quota system for farmers in order to effect this limitation, but rather the average price to producers for the total amount marketed is affected by such an increase. To ensure that the farmer receives the target price the consumer prices of milk, butter and cheese are regulated. In view of the unfavourable climatic and topographic conditions in the northern part of Finland, dairy production in such areas is supported by paying a special subsidy for the milk delivered and by subsidizing fertilizers, fodders and transportation costs.

In order to retard the rate of production growth, the prices of imported feeding stuffs are increased by imposing relatively high import levies. The returns realized from these levies (and other agricultural import levies) go into the agricultural marketing fund, which in turn uses them to compensate for losses incurred in export transactions. The marketing fund also receives varying sums from the State budget which are used to lower the consumer price of butter in order to encourage domestic consumption.

Imports of dried milk are permitted under a global quota; imports of other dairy products are subject to individual licences from all sources.

New Zealand

Dairy policy in New Zealand is influenced by the fact that the dairy industry is essentially an export one with over 80 per cent of butter production and 90 per cent of cheese production being exported. Butter and cheese are purchased from producers at a predetermined price, fixed annually by the Prices Authority (the guaranteed price). The return to the producer from exports is...
thus the same as that derived from domestic sales. The criteria guiding the Authority in determining this price emphasize the need to take into account market realizations and prospects and the stability and efficiency of the industry.

A producer controlled body, the Dairy Production and Marketing Board, has sole control over the purchase and export of dairy products manufactured in New Zealand. Purchases of butter and cheese for export are made at the guaranteed price equivalent referred to in the previous paragraph. It is provided that changes in the purchase price will not exceed 5 per cent from one year to another. Any surpluses or losses on exports of butter and cheese are to be equalized from year to year through a special Dairy Industry Reserve Account; if the account is in debit only part of any surplus may be transmitted to the dairy industry.

Returns to the producer from the domestic market are determined by the guaranteed price set by the Prices Authority. The retail price is kept below the guaranteed price equivalent, the difference being met by a consumer subsidy from public funds.

Imports of butter and cheddar type cheese are not restricted. Imports of other dairy products are restricted.

Poland

The intention of the Polish Government is to control the agricultural market by the establishment of prices at a relatively low level, covering, however, costs of production. Approximately 90 per cent of agricultural products, including dairy products, are purchased by the Government at these established prices. All milk plants are members of the Association of Polish Dairy Co-operatives so that all milk sold from farms is bought by this Association. Deliveries amount to about 30 per cent of production. The Association has independent powers and, for example, proposes producer prices to the governmental Central Price Office, regulates markets, determines production programmes, etc. The fixed prices for milk and dairy products are re-examined in the spring and autumn. The annual average producer price for milk was, in 1961, 2.4 zlotys per litre. All exports of dairy products are handled through an independent governmental agency. There is no difference in prices paid to the Polish farmer with respect to commodities for sale on the domestic market or to commodities for export. Consumer prices for butter and milk powder are subsidized.

Sweden

One of the basic principles of the Swedish system to support agriculture, including dairy production, is the protection at the frontier. A fixed import levy is imposed on imported dairy products to make up for the difference between
domestic prices and import prices. Imports are free from quantitative restrictions as long as domestic prices move within a minimum and maximum price limit. The minimum and maximum price limits were fixed at 10-15 per cent on either side of a "middle price". The "middle prices" initially were estimated on the basis of the domestic wholesale prices for each commodity.

Import levies are charged if the difference between the world market price index and the index for costs of production in Swedish agriculture (excluding labour costs) exceeds 3 per cent for three months in succession; in that case the levies may be changed by half the difference mentioned. Import levies may also be adjusted in accordance with changes in earnings of industrial workers as compared to agricultural returns.

In addition to the import levies, an equalization levy is charged on certain imported products, which corresponds with similar levies on domestic products.

Apart from the protection at the frontier, dairy production is supported by certain subsidies included in the State budget. A general price settlement corresponding to a subsidy per unit of 74.4 öre per kilogram of butterfat is paid for all milk delivered. An additional price settlement varying with the quantities delivered (according to a regressive scale) is also paid.

There are no governmental export subsidies. Export losses are reimbursed from a compensation fund administered by the Dairy Association and financed mainly by internal fees on dairy products.

Switzerland

The Swiss Federal Government establishes the guaranteed basic price for milk. This price is maintained by regulating imports of butter and milk powder and by the payment of subsidies on the disposal of dairy products.

The Central Butter Office (BUTYRA) is responsible for meeting butter requirements. It takes up domestic butter which cannot freely find a purchaser, at a price corresponding to the guaranteed price for milk. It holds a monopoly over imports and levies a charge on imported butter which serves together with other financial devices to bring down prices for domestic butter.

The hard cheese market is regulated by the Cheese Trading Association which buys domestic output at prices calculated in relation to the basic price of milk and resells it through private traders at the best price obtainable.
The Federal Government meets expenditure relating to action to ensure the disposal of milk and dairy products, but part of this expenditure is charged to the producers.

Imports of cheese are liberalized; imports of whole milk powder are subject to a system of conditional imports under which importers are required to purchase domestic milk powder pro rata to the imported quantities.

**United Kingdom**

A guaranteed price is paid to each of the five milk marketing boards (producers' organizations) related to a standard quantity of milk which over the United Kingdom as a whole represents sales of milk for liquid consumption plus a "reserve" of about 26 per cent. On milk in excess of the standard quantity the boards receive only the much lower manufacturing prices.

Apart from the cost of supplying milk free or at a reduced price to children up to school leaving age - amounting to nearly £50 million a year - there is no longer any direct subsidy on milk or milk products and the price charged to the liquid consumer is fixed so as to cover the full cost of the guarantee.

The guaranteed prices and standard quantities are determined at an annual review held in February and March each year in accordance with legislation which provides that the value of the guarantee must not be reduced by more than 4 per cent in any one year or by more than 9 per cent over a period of three years.

The following table shows the level of the average guaranteed prices, standard quantities and average prices actually received by producers in recent years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Guaranteed price</th>
<th>Standard quantity</th>
<th>Average producers' price</th>
</tr>
</thead>
<tbody>
<tr>
<td>(April/March)</td>
<td>d. per gallon</td>
<td>million gallons</td>
<td>d. per gallon</td>
</tr>
<tr>
<td>1959/60</td>
<td>37.70</td>
<td>1968</td>
<td>35.5</td>
</tr>
<tr>
<td>1960/61</td>
<td>37.45</td>
<td>1987.5</td>
<td>33.6</td>
</tr>
<tr>
<td>1961/62</td>
<td>38.25</td>
<td>2009.1</td>
<td>33.4</td>
</tr>
<tr>
<td>1962/63</td>
<td>37.85</td>
<td>2033.7</td>
<td>33.0</td>
</tr>
<tr>
<td>1963/64</td>
<td>38.35</td>
<td>2056.5</td>
<td>34.5 (est)</td>
</tr>
</tbody>
</table>

The changes in the standard quantities are in respect of increases in the sale of milk for liquid consumption which took place in the previous year. The guaranteed price was reduced in 1960/61 in the light of an increase in
production and the increase given in 1961/62 was on the understanding that the industry would consider the introduction of a system of payment to producers related to individual quotas, which, in fact, was not adopted. The increase of 0.5d. a-gallon in 1963/64 was made on the grounds that production had become stabilized. The present guaranteed price of 38.35d. a gallon is only 0.15d. a gallon more than in 1953/54 although over the period retail prices generally have risen by over 30 per cent and wage rates by over 50 per cent.

Imports of cheese are permitted under Open General Licence from all countries other than those in the Eastern area. Imports of evaporated and condensed milk and milk powder are permitted under Open General Licence from the sterling area, but licences are required for imports from all other parts of the world. Licensing control is at present without effective restriction from the relaxation area. (Imports from Eastern area countries are limited by import quotas included in bilateral trade agreements.) Imports of butter from all sources, except the Eastern area, were permitted under Open General Licence from 1959, when restrictions on imports from the dollar area were abolished, until butter quotas were introduced in April 1962. In view of the difficult situation prevailing on the United Kingdom market in 1961, however, caused by the dumping and subsidization of exports, arrangements were made in November 1961, after GATT discussions and consultation with the butter supplying countries, under which supplying countries agreed to limit their exports of butter to the United Kingdom market until 31 March 1962. Following further GATT discussions which did not lead to agreement, the United Kingdom made imports of butter from all sources subject to import licensing and quotas from 1 April 1962. Quotas amounting to a total of 396,000 metric tons were allocated to the traditional butter supplying countries, for the twelve months period from this date and were increased by an all round 5 per cent for the 1963/64 quota year.

As from 10 July 1963 following discussions between EFTA countries, the duty on imports of butter from all sources was suspended for so long as imports remain under quota.

Duties on imports of blue veined cheese and canned cream from EFTA countries were removed on 1 July 1960.

United States

The Agricultural Act of 1949, as amended, requires price support for milk and butterfat to producers at such a level, between 75 and 90 per cent of parity, as will assure an adequate supply. The Act specifies that such support be carried out by loans or purchases of milk and its products.
Price support levels for manufacturing milk and for butterfat are shown in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Support price</th>
<th>Support level as percentage of parity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butterfat per lb.</td>
<td>.604</td>
<td>.572</td>
</tr>
<tr>
<td>Manufacturing milk per 100 lbs.</td>
<td>3.40</td>
<td>3.11</td>
</tr>
</tbody>
</table>

In carrying out the support programme the following government purchases were made:

<table>
<thead>
<tr>
<th>Marketing year beginning 1 April</th>
<th>Butter</th>
<th>Cheese</th>
<th>Non-fat dry milk</th>
<th>Total purchases as percentage of total milk production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>154.4</td>
<td>0.2</td>
<td>1,103.4</td>
<td>2.7</td>
</tr>
<tr>
<td>1961-62</td>
<td>434.9</td>
<td>191.3</td>
<td>1,026.9</td>
<td>8.7</td>
</tr>
<tr>
<td>1962-63</td>
<td>347.4</td>
<td>137.6</td>
<td>1,352.0</td>
<td>6.9</td>
</tr>
</tbody>
</table>

The principal outlets for the utilization of government owned dairy products are donations for domestic and foreign school lunches and welfare uses.

Under Section 22 of the Agricultural Adjustment Act, as amended, import restrictions are maintained on butter, cheese of certain types and varieties, dried milk products, butter oil and other articles, with certain exceptions, containing 45 per cent or more butterfat. At the request of the United States imports of colby cheese are subject to voluntary restraints entered into by principal exporters.

**European Economic Community**

The EEC Council of Ministers at its meeting on 23 December 1963 decided upon the basic principles of a common policy in respect of dairy products. A review of the main elements of the EEC dairy policy on the basis of the regulation is given below.

The Community regulation organizing the market for dairy products in the EEC provides for regulation of internal prices and as regards treatment at the external frontier, a system featuring the application of levies.
At the final stage, at the internal level, an indicative price for milk is fixed which is the producer price to be guaranteed to producers as a whole for all the milk sold during the year.

In addition, an intervention price for butter is fixed so that the indicative price can be assured by means of the average earnings from all sales of milk.

The stockpiling agency has to purchase the quantities of butter offered to it at the intervention price in the intervention centres.

Intervention measures may also be applied to other products in order to help to attain the indicative price for milk and establish equilibrium as between the various products concerned.

The trade régime applies to all dairy products except milk and cream, fresh but not sweetened.

It provides for the application of an import levy equal to the difference between the threshold price of the product and the franco-frontier price of the importing member State based on the best offering price prevailing in international trade.

In addition, imports of preserved milk and butter are subject to presentation of import certificates which are issued automatically.

Refunds may be granted on exports so that exports can take place on the basis of prices prevailing on the world market.

Provision is also made for the application of levies on intra-Community trade during the transitional period. These levies are equivalent to the difference between the threshold price and the franco-frontier price of the importing countries, less a fixed amount.

The threshold prices of products in the member States, applicable also in trade with third countries, are calculated for the 1964/65 season on the basis of reference prices. These reference prices are taken from the arithmetical average of ex-works prices recorded for 1963, in terms of wholesale trade.

During the transitional period prices must be aligned towards the prices of products fixed on the basis of national indicative prices for milk.

For the 1964/65 season these national indicative prices are fixed on the basis of the average national producer prices. They must also be aligned towards the common indicative price for milk which, as a target, will be established as from 1 February 1966.
In parallel, provision is made for the progressive elimination of national assistance during the transitional period. In cases where, as the result of the alignment of indicative prices, prices fell below the guaranteed prices in 1963, the assistance measures granted would at the end of the transitional period have to become independent from dairy production.

Through this two-fold alignment process the Community will achieve, in the final stage, the common indicative producer price for fresh milk which will afford the basis for determining the prices of other products, and the common threshold prices applicable for each product.

Although the common dairy policy described above is due to replace the national support systems in the EEC member States within a short time it may be of interest to give a description of the present dairy policies in five of the EEC member States by way of examples of possible features of national dairy policies.

Belgium

In Belgium a system of monthly target prices to the producer is operated. These prices are not guaranteed prices but it is endeavoured to maintain the target as much as possible through various government activities such as stockpiling and purchase operations, a policy affecting imports of dairy products and a policy in support of a number of manufactured dairy products.

The monthly target prices for whole milk ranged from BFrs.3.30 to BFrs.3.50 per litre in 1961/62 and 1962/63. As from 1 October 1962 the target price was increased by a quality premium of BFrs.0.25 per litre.

Imports of dairy products are free from quantitative import restrictions. They are, however, subject to arrangements aiming at the maintenance of the target price. For example, importers of butter have a free choice as to sources of supply and quantities to be imported, subject however to the imported products being offered to the government agency, Office Commercial du Ravitaillement (OCRA), which will put them at the disposal of the importers at a price in accordance with the target price.

The OCRA intervenes also on the market by purchase and stockpiling operations. In case of surpluses which necessitate exports, the difference between the target price and the export price is made up by a subsidy. Subsidies were also paid in order to decrease stocks by sales of melted butter at reduced prices. Export subsidies are paid on exports of semi-hard cheeses and subsidies, subject to monthly quota, are granted for the production of cheese, powdered milk and sweetened condensed milk.
France

French dairy production is protected by means of a system of target prices to the producers, interventions on the market, regulation of imports and, if necessary, subsidization of exports. Target prices are established by the Government annually and are broken down in a price for the summer and for the winter season. The prices are not guaranteed prices so that the price actually paid at the producer level may be somewhat lower.

On the basis of the target prices, maximum and minimum prices for milk and certain dairy products are fixed by the Government. In order to maintain the maximum and minimum prices, a marketing institution for milk (Interlait) intervenes on the market through purchases and sales, stockpiling and import operations. The financing of these interventions, including payments and subsidies for operations on the domestic market and reimbursements for losses on exports, is done by a fund for the regulation of agricultural markets (FORMA). The finance comes mainly from the Government.

Imports are subject to allocations of licences; imports of butter are controlled by Interlait.

Germany

There is no system of directly guaranteed prices for dairy products in the Federal Republic of Germany, but producers are ensured a reasonable price, taking into account the consumers' interests, by means of the fixing of a maximum retail price and by the maintenance of a balanced supply. Milk and cream and butter are subject to the German marketing laws. Imports take place through the intermediary of the Import and Storage Agency to which, if imports are allowed, importers are required to sell their butter imports. These imports will then again be released, according to the demand situation, at prices in accordance with domestic prices. The Import and Storage Agency also intervenes on the market by means of stockpiling operations. Any deficit in such operations is carried by the Federal Budget.

Imports of cheese are permitted under global or regional quotas. An agreement has been made with Denmark and the Netherlands - the two main suppliers - concerning minimum export prices to Germany. Imports of other dairy products are subject to the issue of licences through the Import and Storage Agency.

The German Government pays a quality premium of DM 0.04 per kg. of milk to the producer for milk complying with certain quality standards.

Italy

Italy does not maintain a system of direct guarantees to the dairy producers. Domestic prices are maintained at a satisfactory level by regulating imports. Italy maintained a system of minimum import prices for butter, under which butter
imports were free when prices on certain representative markets were above a certain ceiling and they were prohibited when prices fell below a certain minimum. This system was replaced by a quota system in October 1961 because of the danger of excessive, low priced supplies entering the country whenever imports were permitted.

The Netherlands

The dairy policy in the Netherlands was changed substantially as from November 1962 with the purpose of aligning the policy with the anticipated organization within the EEC. Instead of the former guaranteed price, a target price system has been established. The target price is set at FL2.27 per 100 kgs. of milk and relates to all milk delivered to the dairy industry. This changes the previous system under which the guarantee was limited to a certain quota.

The retail price of liquid milk, fixed by the Government was increased by 1 cent per litre. On the basis of the estimated returns for liquid milk at the fixed price and for manufacturing milk at free domestic or world market prices, the amount is fixed which is necessary to bring the average producer price to the target price level. This support which is fixed and paid in advance for the entire year, has been set for the year 1962/63 at FL6.30 per 100 kgs. of milk used for processing.

In addition to the above subsidy, a system is maintained under which a government agency (VEB) purchases and stores butter, cheese and skimmed milk powder at certain fixed floor prices. These stocks are gradually released on the domestic market or exported, if necessary, at a loss. Such losses are paid from the "Dairy Fund" and are borne eventually by the producers.

Imports of dairy products are liberalized but import levies may be imposed in order to raise the import price to the domestic price level.

Multilateral international action

In the section regarding the dairy policy of Germany, mention has been made of an agreement concluded between Germany, Denmark and the Netherlands under which the two exporting countries agreed to maintain certain minimum export prices for their exports of hard cheese to Germany.

Another example of multilateral action is to be found in the agreements between the United Kingdom and butter supplying countries under which the supplying countries undertook to limit their exports of butter to the United Kingdom market to certain quantities. This system of voluntary restraint on exports was abolished on the introduction by the United Kingdom of the system of import quotas.

In the framework of the OECD a gentleman's agreement has been reached for one year between a number of OECD member countries to maintain certain minimum export prices on exports of whole milk powder.
The foregoing description of dairy policies in some of the important producing countries may illustrate the complexity and diversification of the various national support systems. The wide variety and extension of non-tariff devices applied in dairy policies was emphasized by Committee II after the country consultations. Of the forty countries examined all but five apply in some form or another non-tariff devices for the protection of the dairy industry. The exceptions are countries of little importance as producers or consumers of dairy products.

The various dairy support systems are designed to stabilize or to support the producers' incomes so as to ensure producers an income as fair and reasonable as possible in the light of the revenues in other sectors of agricultural production and in the light of the country's economy in general.

The systems are designed either to directly support the income of producers or to assist them indirectly by measures affecting prices of dairy products; in most instances aiming at a certain fixed target price. Direct income support is effected by the granting of subsidies or by means of deficiency payments. Examples of such direct subsidies were given e.g. in the case of Belgium and Germany, where the subsidy was restricted to certain quality conditions, and in the case of Switzerland and Finland, where subsidies were granted to farmers producing under less favourable conditions and without sufficiently remunerative alternative lines of production; other examples of direct subsidies were found in Australia, where the total amount of the subsidy is paid as a lump sum, and in the case of the Netherlands, where the former deficiency payment was replaced by a fixed subsidy per unit. An example of a system of deficiency payments is to be found in the United Kingdom; the price guarantee is in this case restricted to a certain quota.

The systems of direct income support are generally supplemented by measures of price support applicable to all or some dairy products. Committee II noted that as a means of implementing price support the use of quantitative import restrictions was particularly widespread. These restrictions could, in very few cases, be justified on balance-of-payments grounds only. In many cases imports are regulated and controlled by means of State trading or monopolistic agencies, such as BUTYRA in Switzerland, OCRA in Belgium, Interlait in France, the Import and Storage Agency in Germany, etc. In the case of exporting countries, the strong organization and concentration of exporters may be noted in countries like Australia, New Zealand and Denmark.

Where imports are not quantitatively restricted, other devices have been designed in order to regulate imports or to regulate imports at a certain price. Examples are the levy system in Sweden and the Netherlands, the butter import monopoly in Belgium, until recently, the minimum import price system in Italy, the future EEC system of variable import levies, etc.
Other measures in addition to regulating imports may be necessary in order to achieve the domestic price level desired. As examples, mention may be made of the various market intervention activities such as purchases and storage of dairy products and, depending on the circumstances, gradual release of stocks on the domestic or foreign markets. Examples are to be found in the United States, France, Germany, Belgium, the Netherlands, Switzerland, etc. In cases where these stocks are sold at a loss, the coverage of the loss from governmental funds constitutes a consumer subsidy or, if stocks are sold abroad, an export subsidy. Direct export subsidies are granted in practically all cases where exports take place through private exporters.

An indirect means of subsidization of exports is to be found in the system whereby domestic market prices are insulated from export prices (Australia, Denmark) or whereby the price of liquid milk for consumption is separated from the price of manufacturing milk (the Netherlands).

Consumer subsidies are sometimes granted in order to offset adverse effects on consumption of high producer prices. Consumer prices are also used as a means of stimulating consumption of dairy products which cannot reasonably be disposed of otherwise than at a substantial loss.

Although in the framework of national dairy policies the importance of customs duties in most countries is only small as compared to the protective effect of the various non-tariff devices, some examples of customs duties affecting dairy products are given in the Annex.
### Annex

**Customs Duties on Certain Dairy Products in Selected Countries**

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>British Preferential Tariff</th>
<th>Most Favoured Nation</th>
<th>General</th>
<th>Special</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butter per lb.*</td>
<td>6d.</td>
<td>7d.</td>
<td>7d.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheese per lb.:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emmenthal</td>
<td>6d.</td>
<td>6d.</td>
<td>7d.</td>
<td></td>
<td>Free 6d.</td>
</tr>
<tr>
<td>New Zealand: Stilton Other</td>
<td>6d.</td>
<td>7d.</td>
<td>7d.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Condensed milk per lb.*</td>
<td>1.5d.</td>
<td>2.5d.</td>
<td>2.5d.</td>
<td></td>
<td>22.5% with a max. of 2.5d.</td>
</tr>
<tr>
<td>New Zealand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk powder per lb.*</td>
<td>2.25d.</td>
<td>4d.</td>
<td>4d.</td>
<td></td>
<td>22.5% with a max. of 4d.</td>
</tr>
<tr>
<td>New Zealand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Canada**

| Cheese per lb. | 3 cents | 3.5 cents | 7 cents |
| Cheddar | 3 cents | |
| Australia and New Zealand | 1 cent | |
| Butter per lb. | 8 cents | 12 cents | 14 cents |
| Australia and New Zealand | 5 cents | |
| Condensed and evaporated milk per lb. | 2.5 cents | 3 cents | 3.75 cents |
| New Zealand | 2.5 cents | |
| Powdered milk per lb. | 2.5 cents | 4 cents | 5 cents |
| Australia and New Zealand | 1 cent | |

* Primage of 5 per cent (BPT), 10 per cent (MFN) and 10 per cent (general) is imposed in addition to the duty. Primage is not applicable to New Zealand.
Denmark

Milk and cream fresh

Milk and cream, preserved, concentrated or sweetened:

Milk powder for animal fodder

Other per kg.

Butter

Cheese per kg.

Free

20%

Free

10%

Finland

Butter per kg.

Cheese per kg.

208 Fmk

139 Fmk

Switzerland

Dried milk

Sw.frs. 50 per 100 kgs.

Other milk preserved, concentrated or sweetened

Butter, fresh

Butter, salted etc.

Cheese

25

20

30

25-80

New Zealand

Butter

Milk or cream, preserved, concentrated, sweetened and dry

Cheese:

Cheddar

Other kinds

Free

22.5%

Free

20%

208 Fmk

139 Fmk

General

British Preferential Tariff

Free

10%

10%

50%

55%
United Kingdom

<table>
<thead>
<tr>
<th>Milk and cream, fresh, not concentrated or sweetened</th>
<th>Full tariff</th>
<th>Commonwealth Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaporated or condensed milk</td>
<td>10%</td>
<td>Free</td>
</tr>
<tr>
<td>(a) Whole</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Not containing added sweetening matter</td>
<td>6s. per cwt.</td>
<td>Free</td>
</tr>
<tr>
<td>(ii) Other</td>
<td>7s. 7d. per cwt.</td>
<td>Free</td>
</tr>
<tr>
<td>(b) Skimmed</td>
<td>10%</td>
<td>Free</td>
</tr>
<tr>
<td>Dried milk powder</td>
<td>6s. per cwt.</td>
<td>Free</td>
</tr>
<tr>
<td>Canned cream</td>
<td>10% +</td>
<td>Free</td>
</tr>
<tr>
<td>Butter</td>
<td>Free*</td>
<td>Free</td>
</tr>
<tr>
<td>Cheese</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Blue Veined</td>
<td>10% +</td>
<td>Free</td>
</tr>
<tr>
<td>(b) Other</td>
<td>15%</td>
<td>Free</td>
</tr>
</tbody>
</table>

† Imports admitted free of duty from EFTA countries.

* Full rate of duty of 15s. a cwt. suspended on butter from all sources from 10 July 1963.

United States

Butter:

(1) 1 November to 31 March inclusive:
    On 50 million lb. global quota
    7 cents per lb.

(2) 1 April to 15 July and 16 July to 13 October inclusive:
    On 5 million lb. in each period, global quotas
    7 cents per lb.

(3) Over quota
    14 cents per lb.

Cheese:

From 15% ad valorem with a minimum of 3 cents per lb. to 25% ad valorem with a minimum of 5 cents per lb.
Milk, condensed or evaporated:

<table>
<thead>
<tr>
<th>Type</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>In airtight containers, unsweetened</td>
<td>1 cent per lb.</td>
</tr>
<tr>
<td>In airtight containers, sweetened</td>
<td>1.75 cents per lb.</td>
</tr>
<tr>
<td>Other</td>
<td>1.5 cents per lb.</td>
</tr>
</tbody>
</table>

Dried milk

<table>
<thead>
<tr>
<th>Type</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole: Containing more than 35% of butterfat</td>
<td>6.2 cents per lb.</td>
</tr>
<tr>
<td>Other</td>
<td>3.1 cents per lb.</td>
</tr>
<tr>
<td>Skimmed: Containing more than 3% of butterfat</td>
<td>3.1 cents per lb.</td>
</tr>
<tr>
<td>Other</td>
<td>1.5 cents per lb.</td>
</tr>
</tbody>
</table>