ARTICLE XXII CONSULTATIONS: WORKING PARTY ON DAIRY PRODUCTS

Supporting Material Supplied by New Zealand

Introduction

International Trade in dairy products has to an increasing extent been characterized by a growing imbalance between supply and demand. This has now reached the stage in which there is severe disruption of trading conditions in certain markets. This paper illustrates the serious situation in a number of New Zealand's markets for dairy products. The general pattern revealed is one of widespread and intensive price-cutting by various suppliers. This has been made possible by the use of heavy export subsidies. As a result, New Zealand and other commercial exporters are being placed increasingly in a position where they must either bring their prices down to totally uneconomic levels or abandon their markets. For the New Zealand Dairy Board, there has been no alternative but to participate in a price war. This is a mutually destructive exercise which can only adversely affect the economic interests of all engaged in international trade in dairy products.

Butter

The main market for butter is the United Kingdom. This has been stabilized by the operation of a quota system which has regulated the level of supply and thereby prevented the market from being disrupted. Price-cutting, however, has been severe in almost all other markets to which commercial exporters must look for the expansion of trade.
As examples, we give below price quotations by various sellers in the last eight weeks:

<table>
<thead>
<tr>
<th>Market</th>
<th>Country quoting</th>
<th>Price quoted c.i.f. ($US per metric ton)</th>
<th>Ruling NZ price c.i.f.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jamaica</td>
<td>Netherlands</td>
<td>428.00</td>
<td>918.23</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Belgium</td>
<td>644.98</td>
<td>918.23</td>
</tr>
<tr>
<td>Singapore/</td>
<td>Netherlands</td>
<td>665.84</td>
<td>918.23</td>
</tr>
<tr>
<td>Malaysia</td>
<td>France</td>
<td>764.04</td>
<td>918.23</td>
</tr>
</tbody>
</table>

Butterfat

This price-cutting has not been confined to the butter market. A European supplier has been selling butterfat at a price of US$820 per ton in Peru, compared with the ruling New Zealand price of US$981. This has resulted in an estimated loss of sales by New Zealand of 1,000 tons.

New Zealand has lost some contracts for butterfat in South-East Asia (mainly for recombining plants) as a result of sales by European suppliers at prices ranging from US$767.20 to US$865 per ton. The ruling New Zealand price is US$981 per ton.

Cheese

In Japan, European suppliers (Norway, Holland, Denmark, France, Belgium and Sweden) have been offering cheese as low as US$580 per ton compared with the ruling New Zealand price of US$640 per ton. The competition has been mainly in Gouda type cheese but recently there have been offers of Cheddar cheese from France and the Netherlands at prices well below current New Zealand levels.

New Zealand has had to reduce the price of cheese in the Caribbean area from US$666.35 to US$602.28 per ton in order to hold this market against European sellers who have been quoting at US$515.90 per ton. Also trade in processed cheese (mainly with Jamaica) has been similarly affected and New Zealand has been obliged to reduce its price by US$0.60 per 30 lb. case.
Spray Skim Milk Powder

New Zealand's market in Japan for spray skim milk powder has come under increasingly heavy pressure from European sellers and it appears certain that New Zealand's contracts will be renewed only if it is prepared to accept substantially lower prices than last season. There have been quotes of US$245 per ton (Canada) and US$255 per ton (Belgium) compared with the New Zealand price of US$316.89.

A similar situation prevails in the stockfood powder market in Japan.

In order to protect its markets in south-east Asia, the Caribbean and Central and South America, New Zealand has had to reduce its price for spray skim milk powder from US$366 to US$308 per ton.

General Comment

The serious nature of the problem for New Zealand can be gauged by the fact that the general price reduction brought about by sellers under-cutting New Zealand prices will cost New Zealand an estimated US$2,700,000 during the period June 1967 to May 1968.