GENERAL AGREEMENT ON
TARIFFS AND TRADE

Working Party on Dairy Products

SECRETARIAT NOTE ON MAJOR POINTS RAISED
IN THE DISCUSSION ON 22 JANUARY 1968

Introduction

1. Following the discussions on 13 and 19 January 1968, based on the proposals
made by New Zealand (Spec(67)69 and 70) and on the Note by the Chairman (Spec(67)72),
the Working Party, at its meeting on 22 January, agreed on a list of technical
issues for consideration by the Working Party, issued as Spec(68)10 and annexed to
this Note. The points raised during the discussion are summarized below.

General

2. Several members of the Working Party expressed the view that the immediate
problem for which the Working Party was to seek appropriate solutions was the
disruption of trading conditions in certain markets as a result of widespread price
cutting by various suppliers. Another member recalled that in his view the
problems facing dairy products did not lend themselves to partial solutions and
must therefore be approached globally.

Purpose of the list

3. There was consensus in the Working Party that the document, in outlining in
advance the issues to which the Working Party would address itself, would enable
members to prepare themselves fully for the ensuing technical discussions.

Production

4. A member of the Working Party stated that he attached great importance to the
inclusion of this section, consideration of which was essential if a global
approach to the problem were to be made. Other members, while agreeing that
production was a factor underlying both the short and the long-term problems,
stated they could accept a discussion under this heading provided this would not
impede work under the other two sections. Certain members of the Working Party
felt that such a discussion would be more appropriate in the context of a search
for long-term solutions.
5. With regard to product coverage, it was agreed that the term "butter" would be interpreted as including near-butters. A member of the Working Party requested that the interpretation given to the term "cheese of the Gouda and Cheddar type" be sufficiently broad to include other cheeses traded internationally, where necessary.

International trade and minimum or reference prices

6. A member of the Working Party stressed that the statistical data under this section must include price data.

7. A member of the Working Party stated that the objective of a minimum price scheme should be the stabilization of prices in markets where the situation made this necessary. This would call for a degree of restraint on the part of all suppliers, which, in some cases, implied a limitation in the use of export subsidies. Another member considered that the objective of price stability in certain markets was too narrow. In his view, the objectives of a minimum or reference price scheme should be (i) the stabilization of prices, (ii) the normalization of trade flows, and (iii) the abandoning of the present partitioning of markets.

8. There was consensus in the Working Party that the following points should be considered in connexion with item 2(b), criteria for fixing prices:

(a) cost of production;
(b) satisfactory returns to traditional commercial exporters;
(c) demand conditions in the markets;
(d) ruling prices in a past representative period;
(e) mechanism for review of prices fixed;
(f) relative pricing ("valorization") of the protein and butterfat content of milk;
(g) relations between different products.

9. There was consensus in the Working Party that the following points should be considered in connexion with item 2(c), equivalence of prices and competitive conditions:

(h) definition of products;
(i) use of f.o.b. or c.i.f. basis;
(j) number of minimum prices, i.e. by country, by zone, or a single price;

(k) quality differentials;

(l) observance of minimum prices;

(m) question of non-member exporters;

(n) administering authority.

Measures for increasing consumption

10. The Working Party agreed that although the question of relations between products was not specifically listed under this heading, it was closely linked to the problem of shifts in the consumption pattern and could appropriately be discussed in connexion with the measures aimed at increasing domestic consumption.

11. As regards the sub-section dealing with measures for increasing consumption through food aid, a member of the Working Party stressed that the technical work under this heading must not be interpreted as prejudging the issue in any way.

12. A member of the Working Party referred to the studies undertaken by the Food and Agriculture Organization on the possibilities of using dairy products in food aid, and the technical questions involved. This work was closely connected with the work of the Working Party. At a later stage, the Working Party would also have to deal with problems concerning distribution, which were of a technical as well as organizational and administrative nature, and included the question of bilateral or multilateral arrangements.

13. At the invitation of the Working Party the representative of the FAO made a statement on the activities of his Organization on the question of utilization of dairy products as food aid. During the last FAO Conference various less-developed countries had pointed to the difficulties in the supply of skimmed milk powder which were due to the decline of United States donations to welfare schemes, but also to the shortage of foreign exchange of developing countries and the high commercial prices of skimmed milk powder. The FAO Conference had stressed that the problems of skimmed milk powder supplies to developing countries could not be treated separately from problems affecting other dairy products, but should be considered in the context of the critical situation on world dairy markets where inadequate supplies of skimmed milk powder for less-developed countries on special terms coincided with increased stocks of butter. The Conference had noted the proposals made in GATT on dairy products. It considered that FAO should keep in close touch with GATT on this matter, and
should undertake a study of the possibilities of further utilizing all dairy products as food aid, as a background to future negotiations. The study would probably be completed in May or June, and be presented to the CCP at its forty-third session in September 1968.

Work Programme

14. The Working Party agreed to deal with sections I and II of the list of technical issues at its next meeting. It further agreed that in the first instance it would concentrate its work on butter and near-butters, on the understanding that other dairy products could be considered wherever this was found necessary.