NEW ZEALAND PROPOSALS

Arrangement for the Establishment of Minimum Prices for International Trade in Butter and Butterfats and Skim Milk Powder

Preamble

No attempt has been made to draft a preamble at this stage.

Article I - Product Coverage

This arrangement applies to all types of butter, anhydrous milk fat, butter oil, ghee and similar products falling within Brussels Tariff Nomenclature 04.03 and skim milk powder and such other products as may hereafter be agreed. For the purpose of this arrangement minimum prices shall be established for pilot products of the following descriptions.

Product type A(1) butter

Description of product:

Fat content: not less than 82 per cent and not more than 83 per cent.

Packaging: in bulk, in usual commercial containers of not less than 25 kgs.

Terms of sale: f.o.b. ocean-going vessel from any port in the export country, or free at frontier from the exporting country.

Prompt payment against documents.

Product type A(2) milk fat, butterfat, butter oil (anhydrous)

Description of product:

Fat content: not less than 99.3 per cent.

Packaging: in bulk, in usual commercial containers of not less than 25 kgs.

Terms of sale: f.o.b. ocean-going vessel from any port in the export country, or free at frontier from the exporting country.

Prompt payment against documents.
Product type B: skimmed milk powder

(1) Skimmed milk powder sold for human consumption.

(2) Skimmed milk powder sold for other purposes.

Description of products:

Fat content: less than or equal to 1.5 per cent.

Packaging: in bulk, in usual commercial containers of not less than 25 kgs.

Terms of sale: f.o.b. ocean-going vessel from the exporting country, or free at frontier exporting State.

Prompt payment against documents.

Article II - Minimum or Floor Prices

Establishment of minimum prices

1. The participating countries undertake to take the steps necessary to ensure that the prices of the products specified below for export from their respective countries, and prices borne by users for the products specified below used for manufacture into other products for export, will not be less than:

(a) ...US dollars per 100 kgs. for product type A(1) butter, with a fat content by weight of not less than 82 per cent and not more than 83 per cent;

(b) ...US dollars per 100 kgs. for product type A(2) milk fat, butterfat, butter oil (anhydrous) with a fat content by weight not less than 99.3 per cent;

(c) ...US dollars per 100 kgs. for product type B(1) skimmed milk powder sold for human consumption with a fat content by weight of less than or equal to 1.5 per cent;

(d) ...US dollars per 100 kgs. for product type B(2) skimmed milk powder sold for other purposes with a fat content of less than or equal to 1.5 per cent.
Adjustment of minimum prices

2. If the product actually exported differs from the pilot product type with regard to fat content, the packaging or terms of sale, the minimum price shall be adjusted so as to protect minimum prices established in the arrangement for the products listed in the preceding paragraph according to the following provisions:

Fat content: in the case of butter as defined in Article I decrease the minimum price by 1.2 per cent for each 1 per cent decrease in the fat content below 82 per cent and increase the minimum price by 1.2 per cent for each 1 per cent increase in the fat content in excess of 83 per cent;

in the case of milk fat, butterfat and butter oil (anhydrous), as defined in Article I containing less than 99.3 per cent butterfat and more than 45 per cent by weight, decrease the minimum price by 1 per cent for each 1 per cent decrease in the fat content below 99.3 per cent;

in the case of skimmed milk powders for human consumption add x per cent per kg. for each 0.1 per cent increase in the fat content over 1.5 per cent.

Packaging: if the product is offered otherwise than in bulk in usual commercial containers of not less than 25 kgs. the application of the minimum price shall be adjusted so as to reflect the difference in the cost of packaging from the type of package specified above.

Terms of sale: if sold on terms other than f.o.b. or free at frontier, the minimum price shall be adjusted by the difference in the costs of the services provided;

if the terms of the sale include credit, the minimum price shall be increased by the cost of the credit, which shall, for the purpose of this arrangement, be taken to be ... per cent of the invoiced amount for each period of thirty days from the date of shipping.

Special sales

3. Participating countries undertake to ensure that commercial practices such as sales in association with sales of other products, special rebates or discounts, or sales of the products specified in this arrangement combined with other products, do not have the effect of directly or indirectly bringing the export prices of the products specified below the agreed minimum prices.
Effective date

4. The minimum prices will take effect with respect to all contracts for sale of the products specified entered into on or after the date this arrangement comes into force.

Derogations

5. The committee established in terms of Article V shall have the authority to grant derogations from the provisions of paragraphs 1 and 2 of this Article in order to remedy difficulties which observance of minimum prices could cause certain exporting countries.

Minimum prices not fixed sale prices

6. As the objective of this arrangement in establishing minimum prices for certain dairy products is to prevent prices in the international market settling at abnormally low levels, the minimum prices established in accordance with the present Article should not be interpreted as being fixed sale prices.

Field of application

7. For each participating country the arrangement is applicable to commercial exports of the products specified in Article I manufactured or repacked inside its own customs territory, whether the destination is temporary or final.

Non-commercial aid transactions

8. The arrangement should not be regarded as applying to non-commercial exports to less-developed countries or destined for relief purposes. Special care should be taken by participating countries to ensure that such exports are additional to and should not have any adverse repercussions on normal commercial trade, or would in any way prejudice the functioning of this arrangement. Participating countries shall notify the committee, established in terms of Article V of any such non-commercial exports of the products specified in Article I and shall enter into consultations about the effect of such exports if so requested by any other participating country.

Article III - Provision of Information - Obligations of Importing Countries - Non-Member Countries

1. All participating countries agree to provide regularly to the committee established in terms of Article V of this arrangement details of exports and imports of the dairy products specified in this arrangement and any related products, details of production, all relevant details concerning export subsidies (or equivalent payments) and any other information the committee may reasonably require.
2. Participating countries which import the products covered by this arrangement undertake in particular:

(a) to co-operate in implementing the objectives of this arrangement and to refrain from importing the products specified in this arrangement at less than the appropriate customs valuation equivalent to the prescribed minimum prices, and

(b) to supply information concerning imports of the products specified in the arrangement from non-member countries, and

(c) to consider sympathetically proposals for appropriate remedial action if imports at less than the minimum price threaten the functioning of this arrangement.

**Article IV - British Market for Butter and Butterfat Products**

Participating countries agree that the provisions relating to minimum prices in this arrangement should not apply in respect of the British market for butter and butterfat products containing not less than 50 per cent butterfat where alternative techniques have been implemented for the purpose of stabilizing the market with the concurrence of the major external suppliers.

**Article V - Administration of the Arrangement**

**Establishment of a committee**

1. All participants agree to establish a provisional committee on trade in dairy products within the framework of the General Agreement on Tariffs and Trade. The committee which will comprise representatives of all governments subscribing to the arrangement, will administer the arrangement and ensure its effective application.

**Election of chairman**

2. The committee shall elect a chairman and a vice-chairman.

**Appointment of secretary**

3. The committee shall designate its secretary following consultation with the Director-General of GATT. The secretary may, with the agreement of the committee and the Director-General, be assisted by such staff as are necessary to ensure the effective administration of the arrangement.
Review of market for dairy products

4. The committee shall keep the international market for dairy products under constant review in the light of the minimum prices established in terms of Article II of this arrangement.

Regular and special meetings

5. The committee should meet at least once each quarter to consider and review developments in international trade in dairy products. However, the chairman may call a special meeting of the committee on his own initiative. The chairman must convene the committee within seven days if requested to do so by any participating country which considers its interests are being threatened.

Emergency action

6. Any participating country, which considers that its interests are seriously endangered by a country not bound by this arrangement, can request the chairman to convene an emergency meeting of the committee within forty-eight hours to determine and decide on whether special measures would be required to meet the situation. If such a meeting cannot be arranged within the forty-eight hours and the commercial interests of the member country concerned are likely to be materially prejudiced, that country may take unilateral action to safeguard the position, on the condition that any other participating countries likely to be affected are immediately notified. The chairman of the committee shall also be formally advised immediately of the full circumstances of the case and shall be requested to call a special meeting of the committee at the earliest possible moment.

Article VI - Food Aid

In pursuance of the objectives of this arrangement, participants agree:

1. In co-operation with FAO and other interested organizations, to foster recognition of the value of dairy products in improving nutritional levels and of ways and means through which they may be made available for the benefit of developing countries.

2. To donate or supply on concessional terms to developing countries dairy products recognized as suitable for aid purposes, or other forms of aid with the aim of increasing the consumption of dairy products in those countries. It would be understood that contributions could be made bilaterally through joint projects or through the World Food Programme. Participants should notify the committee in advance each year of the scale of their proposed contributions of food aid.

3. Recognizing the need to avoid undue interference with international trade or with domestic dairy development and trade in developing countries, to consult within the framework of the agreement about arrangements they have entered into for the supply of dairy products as food aid or on concessional terms.