Working Party on Dairy Products

DRAFT ARRANGEMENT FOR THE ESTABLISHMENT OF MINIMUM
PRICES FOR INTERNATIONAL TRADE IN BUTTER,
BUTTERFATS AND SKIMMED MILK POWDER

PART I - SKIMMED MILK POWDER

Proposal by Chairman
Arrangement for the Establishment of Minimum Prices for International Trade in Butter and Butterfats and Skimmed Milk Powder

PART I

SKIMMED MILK POWDER

Article I - Product Coverage

This Arrangement applies to skimmed milk powder. For the purpose of this Arrangement a minimum price shall be established for the pilot product of the following description.

Fat and water content: less than or equal to 1.5 per cent of fat by weight and less than or equal to 5 per cent of water by weight.

Packaging: in bulk, in usual commercial containers of a net content of not less than 25 kgs. or 50 lb., as appropriate.

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 Price

Establishment of minimum price

1. The participants undertake to take the steps necessary to ensure that the price of the product specified in Article I for export from their respective countries will not be less than $7 US dollars per 100 kg., whether exported as such or in the form of goods in which it has been incorporated.

Adjustment of minimum price

2. If the product actually exported differs from the pilot product type with regard to packaging or terms of sale, the minimum price shall be adjusted so as to protect the minimum price established in the Arrangement for the product specified in Article I according to the following provisions:

Several members of the Working Party mentioned $20, others $25.
Article II (cont'd)

Packaging: if the product is offered otherwise than in bulk in usual commercial containers of a net content of not less than 25 kgs., or 50 lb. as appropriate, 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, this will be charged for at the prevailing commercial rate.
Artiole II (cont'd)

Exports for purposes of animal feed

3. Participating countries may export skimmed milk powder for purposes of animal feed at prices below the minimum price established in paragraph 1 of this Article; they undertake that any such exports will be subject to adequate safeguards designed to ensure that the powder concerned will not be diverted to uses other than animal feed.

Special conditions of sales

4. Participants undertake within the limit of their institutional possibilities to ensure that practices such as sales in association with sales of other product, special rebates or discounts, or sales of the products specified in Article I combined with other products, do not have the effect of directly or indirectly bringing the export price of the product subject to the minimum price provisions below the agreed minimum price.

Different points of view have been expressed as to the means of obtaining such adequate safeguards. One member cannot accept paragraph 3.
Effective date

5. The minimum price provisions will take effect with respect to all contracts for sale of the product specified in Article I entered into on or after the date this Arrangement comes into force.

Field of application

6. For each participant the Arrangement is applicable to commercial exports of the product specified in Article I manufactured or repacked inside its own customs territory, whether the destination is temporary or final.

Transactions other than normal commercial transactions

7. The provisions of paragraphs 1 to 6 of this Article shall not be regarded as applying to donated exports to developing countries or to exports destined for relief purposes or welfare purposes in developing countries. Such exports shall be effected in accordance with the FAO - Principles of Surplus Disposal and procedures for notification and consultation agreed upon in FAO. It is the position of one country that sales for welfare purposes in developed countries should not be subject to paragraphs 1 to 6 of this Article; this would entail the deletion of paragraph 8.
Article II (cont'd)

8. In the case of exports for welfare purposes in developed countries, such as school lunch programmes, all sales as distinct from donations of the products covered by this Arrangement shall be subject to the pricing provisions of this Article except where sales at concessional rates for specific programmes are approved pursuant to the derogation procedure provided for in Article IV.

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

1. All participants agree to provide regularly and promptly to the committee established in terms of Article IV of this Arrangement details of exports and imports of skimmed milk powder, including transactions referred to in paragraph 7 of Article II, details of production, all relevant details concerning export subsidies (or equivalent payments) and any other information the committee may reasonably require.
(Draft text)

Article III (cont'd)

2. Participants which import skimmed milk powder undertake in particular:

(a) to co-operate in implementing the minimum price objective of this Arrangement and to ensure as far as possible that skimmed milk powder is not imported at less than the appropriate customs valuation equivalent to the prescribed minimum price; and

(b) to supply information concerning imports of skimmed milk powder from non-participants; and

(c) to consider sympathetically proposals for appropriate remedial action if imports at prices inconsistent with the minimum price threaten the functioning of this Arrangement.
Article IV - Administration of the Arrangement

Establishment of a committee

1. All participants agree to establish a provisional committee on trade in skimmed milk powder within the framework of the General Agreement on Tariffs and Trade. The committee which will comprise representatives of all participants to the Arrangement, will administer the Arrangement and ensure its effective application. The committee shall be serviced by the CATT secretariat.

Review of market

2. The committee shall keep the international market for skimmed milk powder under constant review in the light of the minimum price established in terms of Article II of this Arrangement.

Regular and special meetings

3. The committee should meet at least once each quarter to consider and review developments in international trade in skimmed milk powder. 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 participant which considers its interests are being threatened.
Article IV (cont'd)

Emergency action

4. Any participant, 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 participant concerned are likely to be materially prejudiced, that participant may take unilateral action to safeguard the position, on the condition that any other participants 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.
(Draft text)

Article IV (cont'd)

Derogations

5. The committee shall have the authority to grant derogations from the provisions of paragraphs 1 and 2 of Article II in order to remedy difficulties which observance of minimum prices could cause certain participants.

Article V - 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.
Article V (cont'd)

2. Where possible and appropriate, to incorporate the donation or sale on concessional terms of dairy products in their respective aid programmes. Participants should notify the committee in advance each year of the scale of their proposed contributions of such food aid. It would be understood that contributions could be made bilaterally through joint projects or through the World Food Program.

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 Arrangement about arrangements they have entered into for the supply of dairy products as food aid or on concessional terms.