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

Revision
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 export 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 packages normally used in the trade of a net content by weight of not less than 25 kgs. or 50 lb., as appropriate.

Terms of sale: f.o.b. from the exporting country, or free at frontier exporting State; prompt payment against documents.
(Draft text)

Article II - Minimum Price

Level and observance of minimum price

1. The participants undertake to take the steps necessary to ensure that the export price of the product defined in Article I will not be less than the minimum price applicable under the present Arrangement. If the product is exported in the form of goods in which it has been incorporated, the participants shall take the steps necessary to avoid the circumvention of the price provisions of the Arrangement.

2. The minimum price provided for in paragraph 1 of the present Article applicable at the date of entry into force of this Arrangement is fixed at [x] US dollars per 100 kgs.

3. The level of the minimum price specified in the present Article can be modified by the Management Committee established in terms of Article V during the period of validity of the present Arrangement taking into account, on the one hand, the results of the application of the Arrangement, and, on the other hand, the evolution of the situation of the international market.

(Annotations)
Article II (cont'd)

Adjustment of minimum price

4. 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:

Packaging: if the product is offered otherwise than in packages normally used in the trade of a net content by weight 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.
Article II (cont'd)

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.

Exports for purposes of animal feed

5. By derogation from the provisions of paragraphs 1 and 4 of Article II, participants may export skimmed milk powder for purposes of animal feed at prices below the minimum price provided for in paragraph 1 of this Article; they undertake that any such exports will be subject to safeguards approved in a register of acceptable processes and destinations drawn up by the Management Committee designed to ensure that the powder concerned will not be diverted to uses other than animal feed. The participants undertake to furnish the data necessary on their transactions in skimmed milk powder purposes of animal feed in order to enable the Management Committee to assess developments in this trade and periodically to make forecasts of the trade.
Article II (cont'd)

Special conditions of sales

6. Participants undertake within the limit of their institutional possibilities to ensure that practices such as sales in association with sales of other products, special rebates or discounts, or sales of the product 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.

Field of application

7. 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 (cont'd)

8. 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

9. The provisions of paragraphs 1 to 8 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.
Article II (cont'd)

10. Exports for welfare purposes in developed countries, such as school lunch programmes, of the products covered by this Arrangement shall be subject to the pricing provisions of this Article, it being understood that a derogation under Article IV shall be granted, when justified, after taking into account the specific character of welfare shipments, including school-lunch programmes, their sales conditions, trade effects and other factors.

Article III - Provision of Information

1. All participants agree to provide regularly and promptly to the committee established in terms of Article V of this Arrangement details of exports and imports of skimmed milk powder, including transactions referred to in paragraph 9 of Article II, details of production, all relevant details concerning export subsidies (or equivalent payments) and any other information the committee may reasonably require.
Article IV - Co-operation of Importing Countries

1. 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 V - Administration of the Arrangement

Management Committee

1. All participants agree to establish a Management 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 GATT secretariat.

Review of market

2. The Committee shall keep the situation in and the evolution of the international market for skimmed milk powder and the conditions under which the provisions of this Arrangement are applied by participants under constant review.

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 V (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 two working days to determine and decide on whether special measures would be required to meet the situation. If such a meeting cannot be arranged within the two working days 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.

Derogations

5. [To be drafted]
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. Where possible and appropriate, to incorporate the donation or sale on concessional terms of dairy products or related equipment 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 or through joint projects or through the World Food Program.
Article VI (cont'd)

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.7

Article VII - Final Provisions
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1. Entry into force

(a) This Arrangement shall enter into force on 1 January 1970 subject to the provisions of subparagraph (b) below.

(b) Provision for minimum participation

2. Duration

This Arrangement shall remain in force for one year. The duration of this Arrangement shall be extended for a further period of one year, unless the Management Committee, within ninety days prior to each date of expiry, decides otherwise.

4. Amendment

The provisions of this Arrangement may be amended by the Management Committee.

5. Relationship of Annexes to the Arrangement

The Annex to this Arrangement constitutes an integral part of this Arrangement.

(The register of processes and destinations).
Article VII (cont'd)

6. **Acceptance**

This Arrangement is open for acceptance, by signature or otherwise, to governments (including the competent authorities of the European Communities) members of the United Nations or the specialized agencies.

7. **Withdrawal**

Any participating country may withdraw from this Arrangement upon the expiration of sixty days from the day on which written notice of such withdrawal is received by the Director-General of the GATT.