General Agreement on
Tariffs and Trade

International Dairy Arrangement
Committee of the Protocol Regarding Certain Milk Powders
Committee of the Protocol Regarding Milk Fat
Committee of the Protocol Regarding Certain Cheeses

Review of Minimum Prices - September 1981

Notification of New Zealand Proposals
for Consideration by Participants

New Zealand has requested that participants be notified by the secretariat before the next meeting of the Protocol Committees in September 1981 as follows:

1. Article 3(3)(b) of the Protocols annexed to the Arrangement directs that the specified minimum prices shall be subject to review at the September meeting of the Protocol Committees each year. Under this article New Zealand will be proposing at the meetings in September 1981 that the minimum prices for specified products listed be increased by around US$200 per tonne to the following levels:

<table>
<thead>
<tr>
<th>Product</th>
<th>Minimum Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skim milk powder</td>
<td>US$ 700 per tonne</td>
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<tr>
<td>Buttermilk powder</td>
<td>US$ 700 per tonne</td>
</tr>
<tr>
<td>Whole milk powder</td>
<td>US$1,000 per tonne</td>
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<tr>
<td>Butter</td>
<td>US$1,200 per tonne</td>
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<tr>
<td>AMF</td>
<td>US$1,440 per tonne</td>
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2. The proposal is based on the following assessments of the criteria listed in Article 3(3)(b):

   Costs faced by producers, including "the most economic producers" have significantly increased and should be compensated for in order to "maintain a long term minimum return to the most economic producers" and to "maintain stability of supply". The increases recommended would in no way prejudice "acceptable prices to consumers". Commercial export prices have continued to increase significantly without reducing export volumes; indeed, volumes have continued to expand. However, the gap between commercial prices and the minimum prices under the agreement has continued to widen and has currently reached relationship (minimum prices as a percentage of commercial prices) of under 50 per cent of all products except whole milk powder where the figure is just over 50 per cent. This relationship should be improved and a forward assessment of "relevant economic factors on the world market" indicates that the improvement suggested by New Zealand in this relationship is sustainable.

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New Zealand will be circulating supplementary information prior to the meeting.

While the increase proposed by New Zealand of around $200 in the minima for all products constitutes a differing percentage of the existing minimum from one product to the next, this is appropriate having regard to the cost of milk powder processing and to the increasing relative value of milk protein for human consumption in world markets.

New Zealand requests that participants give favourable consideration to the proposed increases in the minima prices.