

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(85)27
12 June 1985

International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL

Special Meeting on 31 May 1985 Concerning the
Resolution of 16 November 1985

Draft Report

Chairman Mr. J. Viganó (Argentina)

1. The International Dairy Products Council held a special meeting on 31 May 1985. The meeting was held under the terms of Article IV:6 of the Arrangement.
2. The purpose of the meeting was to consider the abrogation of the Resolution of 16 November 1984 (DPC/13), and delegations had been invited to come fully prepared to take a decision on the matter (GATT/AIR/2162).
3. In opening the meeting, the Chairman recalled that the question of modifying the levels of the minimum prices in the Arrangement, the idea of adjusting these levels in order to alleviate any adverse effects of currency fluctuations and the idea that old butter might be disposed of by derogation from the provisions of the Protocol Regarding Milk Fat pursuant to Article 7 of said Protocol, had been under consideration in the Committees since February this year, and he believed that some progress had been made. He subsequently called upon the Chairman of the Committees of the Protocols to report on the situation.
4. The Chairman of the Committees of the Protocols in an oral statement to the Council reported that the Committee of the Protocol Regarding Certain Milk Powders, the Committee of the Protocol Regarding Milk Fat and the Committee of the Protocol Regarding Certain Cheeses had met in a special joint session on 30 and 31 May 1985.

5. The purpose of the meeting was to pursue the examination of proposals to modify the levels of the minimum prices in the Arrangement, to consider further the question of establishing modalities for adjusting the minimum prices to monetary fluctuations and furthermore consider proposals for disposal of old butter by derogation from the price provisions of Article 3 of the Protocol Regarding Milk Fat pursuant to Article 7:1 of said Protocol.

6. The following decisions had been adopted by the Committees on 31 May 1985:

- (a) The Committee of the Protocol Regarding Certain Milk Powders has in accordance with Article 3:3 of the Protocol Regarding Certain Milk Powders, decided to adjust the level of the minimum price specified in that Article for whole milk powder to US\$830 per metric ton.

The schedule of price differentials according to milk fat content set forth in Annex I b to the Protocol Regarding Certain Milk Powders has consequently been modified. It is annexed to the Procès-Verbal deposited with the Director-General, certifying the entry into force of the new minimum price.

This decision shall take effect at noon on 5 June 1985.

(This decision has been published in document DPC/P/34.)

- (b) The Committee of the Protocol Regarding Milk Fat has in accordance with Article 3:3 of the Protocol Regarding Milk Fat, decided to adjust the levels of the minimum prices specified in that Article to US\$1,200 per metric ton for anhydrous milk fat and US\$1,000 per metric ton for butter.

The schedule of price differentials according to milk fat content set forth in Annex II b to the Protocol Regarding Milk Fat has consequently been modified. It is annexed to the Procès-Verbal deposited with the Director-General, certifying the entry into force of the new minimum prices.

This decision shall take effect at noon on 5 June 1985.

(This decision has been published in document DPC/F/34.)

(c) Pursuant to Article 7:1, the Committee of the Protocol Regarding Milk Fat decides that when any participant holds exceptionally large stocks of butter aged at least 18 months for which no alternative disposal outlets are immediately available and for which export sales at a price not less than the minimum price cannot be made, the participant is authorized to sell this butter aged at least 18 months when it is removed from stocks, and in any event is manufactured before 1 April 1986 and/or fats manufactured from such butter, at prices inferior to the prices referred to in Article 3 of said Protocol, under the following conditions:

1. The participant shall notify, in advance, and as soon as possible to the Chairman and the secretariat of the Committee, the intention to export these products, specifying all the details of the proposed sale and, especially, the quantities, the prices, the country of destination, the delivery period. In addition, it will immediately notify all subsequent alterations which may be introduced to that sale. The secretariat shall immediately advise all participants of all relevant details.
2. The participant who carries out such exports shall take all possible steps to ensure that the products concerned are finally consumed in the country of destination.
3. (a) The minimum quantity contracted for each sale to a single country of destination under this derogation may not be less than:

100,000 tonnes of butter or
50,000 tonnes of fat manufactured

from such butter with the addition of a tracer unless the inclusion of a tracer is explicitly excluded by the importing country.

(b) The delivery period from the date of sale may not exceed:

- 15 months for sales up to 150,000 tonnes of butter
- 18 months for sales in excess of 150,000 tonnes of butter
- 15 months for sales of milk fat.

4. If, as a result of sales made under this derogation, other participants who have regularly supplied to the destinations concerned encounter difficulties regarding the maintenance of their traditional volume of butter sales to those destinations, the participant who has carried out such sales under this derogation shall open consultations with the other above-mentioned participants at their request. The purpose of these consultations shall be to define the measures to be taken to enable the above-mentioned participants to realize their traditional volume of sales.

5. The Committee shall closely follow the developments related to this derogation, in particular the realization of traditional volume of sales on the markets where sales have been made under this derogation, by participants who are regular suppliers to those destinations. Participants having recourse to this derogation shall regularly inform the Committee on the evolution of their butter stocks. A special meeting of the Committee shall be convened at any time in accordance with Article IV:6 of the Arrangement at the request of any participant.

6. This derogation shall remain in force up to 31 December 1986 unless earlier repealed.

(This decision has been published in document DPC/F/35.)

7. It was noted that Australia had agreed ad referendum, but all these decisions would become effective, all on the same date, namely 5 June 1985 at noon, unless otherwise advised by Australia before then¹. This

¹On 3 June 1985, the Australian delegation informed the secretariat that Australia approved the decisions.

formulation meant that if Australia would not be in agreement on one of the decisions contained in the package, the entire package of decisions would not become effective.

8. The Committees had also agreed to study as soon as possible the question of adjustment of minimum prices according to fluctuations in the exchange rate of the United States dollar; any such adjustment would be made without prejudice for other criteria set out in Article 3, paragraph 3(b) of each of the Protocols. To this end, the technical modalities of such adjustment would be discussed at the next regular meetings of the Committees in June 1985.

9. In a comment to the report by the Chairman of the Committees, the representative of Poland recalled that his delegation had insisted on a reduction also of the minimum price for skimmed milk powder to US\$580 per ton in order to bring this price in line with prices experienced by Polish exporters in the market recently, and also the underlying price trend in the market. In his view, price trends were determined, inter alia, by exchange rate fluctuations and by recent United States sales of huge quantities of skimmed milk powder to Spain for animal feed and at prices very much below the minimum. He had agreed to the decision taken in the Committees in spite of no change having been made in the minimum price for skimmed milk powder. In giving his agreement he had noted the information provided by several major exporters, parties to the Arrangement, indicating that their export prices for skimmed milk powder were well above the minimum and that this situation was expected to last for some time. He consequently expressed the expectation that the minimum prices of the Arrangement would now be fully respected by all signatories.

10. The Council took note of the report by the Chairman of the Committees of the Protocols and of the statement by Poland.

11. The Chairman then invited the Council to consider the abrogation of the Resolution of 16 November 1984.

12. The representative of New Zealand said that as all the decisions both those taken by the Committees and that to be taken by the Council were linked, they should all become effective on the same date. He accordingly suggested that the Resolution of 16 November 1984, should be rescinded with effect as of 5 June 1985.

13. The representative of the European Communities could agree to that date. He referred to document DPC/W/41/Add.1/Rev.2 of 31 May 1985, which contained information more or less complete, on sales made according to the Resolution. He stressed that the Community could not accept that any other sales, and which had not been listed in that document, could be made under the Resolution, even if the latter was abrogated only on 5 June 1985. He trusted that all parties would respect this.

14. The representative of Finland, speaking on behalf of the Nordic countries, said that a register would have a certain value, but as the document was rather incomplete, he suggested not to have the table annexed to a formal decision. He was in favour of a rather simple form, for instance by saying that only sales notified prior to 1 June 1985 could take place under the Resolution, and that deliveries under such sales should be completed by 30 June 1986.

15. The representative of the European Communities could agree to the suggestion made by Finland, but he stressed that for him, only sales appearing in the draft register could be made according to the Resolution, notably excluding any sales made after 31 May 1985 mid-night.

16. The Council then adopted the following decision:

The International Dairy Products Council at a special meeting held on 31 May 1985:

Noted that the Committee of the Protocol Regarding Milk Fat had decided to modify the levels of the minimum prices for butter and anhydrous milk fat (DPC/F/34) and; considered that in light of the new levels of these minimum prices, it should no longer be necessary to maintain the Resolution of 16 November 1984;

Noted that the Committees of the Protocols had agreed to study as soon as possible the question of adjustment of minimum prices according to fluctuations in the exchange rate of the United States dollar; any such adjustment would be made without prejudice for the other criteria set out in Article 3, paragraph 3(b), of each of the Protocols. To this end, the technical modalities of such adjustment would be discussed at the next regular meetings of the Committees;

Noted that an agreement had been reached in the Committee of the Protocol Regarding Milk Fat with regard to sales of old butter by derogation from the provisions of paragraphs 1 to 4 of Article 3, and pursuant to Article 7:1 of said Protocol (DPC/F/35);

Decided to rescind with effect as of 5 June 1985, the Resolution of 16 November 1984 (DPC/13).

The above decision was made on the understanding that deliveries of butter and anhydrous milk fat under sales notified prior to 1 June 1985, according to the Resolution of 16 November 1984, shall be completed by 30 June 1986, at the latest; and that no further sales other than those notified prior to 1 June 1985 could take place under said Resolution.

(This decision has been published in document DPC/20.)

17. In closing the meeting the Chairman said that he would as usual issue a note by the Chairman and the secretariat would prepare and circulate a report of the meeting according to established procedures.