

**GENERAL AGREEMENT ON  
TARIFFS AND TRADE**

RESTRICTED

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International Dairy Arrangement

UNITED STATES EXPORT SALES OF DAIRY PRODUCTS UNDER  
SECTION 1163 OF THE FOOD SECURITY ACT OF 1985

Note by the Secretariat

1. At the March and June 1986 meetings of the Committees, certain delegations asked that the secretariat should undertake a study on the possible consequences of the United States Food Security Act of 1985 (Section 1163 relating to export sales of dairy products). At the June 1986 meetings of the Committees, the secretariat undertook to collect all the relevant information concerning the United States' new export measures.

2. Section 1163 of the Food Security Act of 1985<sup>1</sup> relating to export sales of dairy products is reproduced below:

"(a) In each of the fiscal years ending September 30, 1986, September 30, 1987, and September 30, 1988, the Secretary of Agriculture shall sell for export, at such prices as the Secretary determines appropriate, not less than 150,000 metric tons of dairy products owned by the Commodity Credit Corporation, of which not less than 100,000 metric tons shall be butter and not less than 20,000 metric tons shall be cheese, if that disposition of such commodities will not interfere with the usual marketings of the United States nor disrupt world prices of agricultural commodities and normal patterns of commercial trade.

(b) Such sales shall be made through the Commodity Credit Corporation under existing authority available to the Secretary or the Commodity Credit Corporation.

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<sup>1</sup>The provisions of the Food Security Act of 1985 are expected to curtail milk output. Under the Act, milk support prices remain at \$11.60/cwt in 1986 but will be reduced to \$11.35/cwt in 1987 and \$11.10/cwt in 1988 through 1990. Furthermore, the Secretary of Agriculture is required to reduce the support price by 0.50/cwt on January 1 of 1988-1990 if government purchases during each year are projected to exceed 5 billion lb of milk equivalent and to increase it by the same amount per year if the level of purchases are projected at 2.5 billion lb or less milk equivalent.

(c) Through September 30, 1988, the Secretary shall report semiannually to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate on the volume of sales made under this section."

3. Government to government dairy product sales between 1 October 1985 and 31 July 1986 are reproduced in the following table:

Date sold	Country	Product	Quantity (metric tons)	Unit price (US\$)	Total Value (000'US\$)	Terms of sale
18.10.1985	Austria	Non fat dry milk	18,000	350	6,300	F.a.s.
.1.1986	Mexico	Non fat dry milk	10,000	730	7,300	F.o.b.
6.3.1986	Mexico	Non fat dry milk	31,000	800	24,800	F.o.b.
27.3.1986	Israel	Non fat dry milk (feed)	600	450	270	F.a.s.
28.3.1986	Brazil	Non fat dry milk	10,000	690	6,900	F.a.s.
30.4.1986	Austria	Non fat dry milk (feed)	15,000	350	5,250	F.a.s.
14.5.1986	Brazil	Butter oil	3,000	1,225	3,675	F.a.s.
14.5.1986	Brazil	Non fat dry milk	15,000	690	10,350	F.a.s.
14.5.1986	Brazil	Non fat dry milk	5,000	665	3,325	F.a.s.
22.5.1986	Brazil	Non fat dry milk	11,000	682	7,502	F.a.s.
22.7.1986	Brazil	Non fat dry milk	9,000	690	6,210	F.a.s.

4. As shown in the table government to government sales of non fat dry milk in relation to the Food Security Act of 1985 in the period 1 October 1985 - 31 July 1986 amounted to 124,600 tons, of which 50,000 tons to Brazil at prices between US\$665 and US\$690 per ton f.a.s. and 41,000 tons to Mexico at prices between US\$730 and US\$800 per ton f.o.b. Furthermore 33,000 tons of feed powder was sold to Austria at a price of US\$350 per ton and 600 tons to Israel at a price of US\$450 per ton. It should be noted that at the end of July 1986, only 3,000 tons of butter oil had been exported under the Food Security Act of 1985. It should also be noted that in the period under review no sales of cheese were made under this provision. According to available statistics for United States exports of dairy products in the first half of 1986 a total of 10,300 tons of butter and 3,200 tons of cheese had been exported and apparently the targets fixed under the Food Security Act of 1985 for butter and cheese exports would not be attained in fiscal year 1986. However, the total target of 150,000 tons of exports of all dairy products was likely to be reached taking into account the large exports of non fat dry milk to Brazil and Mexico.

5. At the time of writing the present note the semi-annual report requested by the Food Security Act was not yet available. The secretariat has prepared the present note in order to facilitate the discussions of the Council and Committees basing itself on various information available to it. The secretariat intends to continue to collect all the relevant information concerning the United States export sales of dairy products under the Food Security Act of 1985.