

GATT/1588
24 June 1993

BUTTER TO RUSSIA EXEMPTED FROM MINIMUM EXPORT PRICES

Butter shipments to the former Soviet Union, normally subject to internationally-agreed minimum prices under GATT's International Dairy Arrangement, can be sold at prices below the minimum up to the end of the year.

The GATT Committee of the Protocol Regarding Milk Fat decided, on 22 June 1993, to accord a general derogation from the minimum export price (US\$1,350 per metric ton) to butter and butter oil shipped to countries of the former Soviet Union. The decision took account of the significant price uncertainty and the availability of supplies of butter on concessional terms in the former USSR market

The Committee decided as an exceptional arrangement and without setting a precedent that:

- the provisions with respect to the minimum export prices for butter and butter oil shall not apply to exports to countries of the former Soviet Union up to a maximum quantity of 50,000 metric tons (butter equivalent) per participant for butter and butter oil exclusively for consumption in those countries;
- this Decision applies to sales contracts unconditionally concluded before 31 December 1993; and
- deliveries of butter and butter oil to countries of the former Soviet Union pursuant to this Decision are to be completed by 31 March 1994.

The Committee also agreed that participants would regularly provide detailed information on their butter exports covered by the derogation. Other provisions are designed to ensure that butter exported to countries of the former Soviet Union under this derogation is not deviated to other countries.

NOTE TO EDITORS:

The Committee on Milk Fat administers the Protocol Regarding Milk Fat annexed to the International Dairy Arrangement, which came into operation on 1 January 1980 as one result of the Tokyo Round. Under the provisions of this Protocol, minimum export prices have been established for butter and butter oil (anhydrous milk fat).

Participants have agreed to take the steps necessary to ensure that these minimum export price provisions are complied with. The Committee make quarterly reviews of the application of the provisions by the participants, including their observance of the minimum export prices.

The following are participants to the Arrangement: Argentina, Australia, Bulgaria, Egypt, the European Community, Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland and Uruguay.

The former Soviet Union has traditionally been the largest outlet for butter in the world market. In 1991, the former USSR imported some 250,000 metric tons of butter - far ahead of the world's second largest butter importer, the EC with 68,000 metric tons. In 1992, however, Russia made virtually no commercial purchases of butter because of shortage of foreign exchange. Only donations of butter as food aid entered the country that year.

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