

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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International Dairy Arrangement

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INTERNATIONAL DAIRY PRODUCTS COUNCIL

Reply to Questionnaire 5 regarding Information on Domestic Policies and Trade Measures

URUGUAY

Supplement

Introduction

The principal instrument of domestic dairy policy continues to be the quarterly adjustment of producer prices of milk for liquid consumption, while the price of milk for industrial processing remains unrestricted.

In parallel, measures have been introduced in regard to the supply of pasteurized milk.

As regards trade measures, the most significant development has been amendment of the method for determining the amount of indirect-tax refunds on exported products.

A. Domestic policies

1. Prices

The policy already in existence, which was notified in January 1983, is basically still being maintained. Hitherto, the producer price of milk for liquid consumption was fixed officially, through quarterly adjustments made on the basis of cost variations. For the operation of this mechanism, which was made effective in February 1979 under Decree 100/979, an equation was established as a simple and clear means of adjustment, based on an annual study of production costs.

Since 1983, under Decree 9/983, the parameter has been replaced by a cost study, adjusted quarterly. This change of method is designed to avoid distortions in the price of the product as a consequence of variations in relative prices which invalidate the weightings used in the automatic adjustment.

Accordingly, Decree 9/983 limited the variation margin of the 1:7 ratio between the quota price and the industrial price, designed to maintain a logical and reasonable balance between the producer price of milk for liquid consumption and the price of milk intended for industrial processing.

2. Law on supply of pasteurized milk

On 4 October 1984, the Council of State approved the Message and Bill submitted by the Executive to regulate the supply of pasteurized milk, Law 15,640.

This Law prohibits the sale of raw milk for direct consumption in localities where there is an assured supply of pasteurized milk.

The new pasteurizing plants supplying localities must have a minimum daily intake and pasteurizing capacity of 100,000 litres.

In addition, a series of measures have been established to rationalize the installation of new pasteurizing plants.

Under Article 12 of the Law, a National Milk Board has been established to act in an advisory capacity on matters concerning the production and trading of milk and milk products.

Implementing regulations for the Law were laid down by Decree 15/11/84 which establishes the procedure for setting up the National Milk Board. It also establishes the procedure for registration of pasteurizing firms with the Ministry of Industry and Energy and for establishing mechanisms to regulate the market share of each firm.

This Decree confirms the authority of the Ministry of Agriculture and Fisheries to fix the producer prices of milk for liquid consumption.

3. Improvement in milk quality

One of the objectives was to update the system of milk classification and payment according to quality. Substantial progress has been made in the past two years in studying the matter, defining a specific proposal, and carrying out co-operation, assistance and training activities at both national and regional levels.

B. Trade measures

Within the framework of tax refund policy, tax refund rates have been established as follows on the export of certain dairy products (Decrees 3/983, 25/983, 38/984).

Whole milk powder	- 4.7%
Skimmed milk powder	- 2.6%
Butter	- 5.3%
Butter oil	- 5.7%
Cheeses: hard, soft and semi-hard	- 3.2%
Partly-skimmed milk powder	- 4.3%

With effect from 25 May 1984 this system has been replaced by the refund of VAT included in the production cost of milk.

Refund of VAT during export was made effective under Resolution 960/984 of 7 November 1984.

The following rates were established:

Cream	- 4.4%
Whole milk powder	- 3.4%
Skimmed milk powder	- 1.5%
Partly-skimmed milk powder	- 2.4%
Butter	- 5.2%
Butter oil	- 5.2%
Soft cheese	- 2.2%
Semi-hard cheese	- 2.2%
Hard cheese	- 2.2%
Processed cheese	- 2.2%
Lactic casein, granulated or ground	- 3.2%
Edible casein containing hydrochloric acid	- 2.5%
Sodium caseinate	- 2.0%
Calcium caseinate	- 2.1%