

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

MTN/DP/W/27/Rev.4

18 May 1978

Special Distribution

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Multilateral Trade Negotiations

Group "Agriculture"

Sub-Group on Dairy Products

## PROVISIONAL DRAFT COMPREHENSIVE ARRANGEMENT REGARDING THE DAIRY PRODUCTS SECTOR

1. The present document contains the revised version of document MTN/DP/W/27/Rev.3 prepared by the secretariat in the light of the discussions at the meeting of April 1978 and of proposals received by it up to 10 May 1978.
2. Where any additional proposals have been announced, a note to that effect appears in the text.
3. It was agreed that Articles I, II and paragraphs 1, 4 and 6 of Article III of Annex II would be examined by experts.

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/COMPREHENSIVE ARRANGEMENT REGARDING  
THE DAIRY PRODUCTS SECTOR

PREAMBLE

/Recognizing the importance of milk and dairy products to the economy of many countries in terms of production, trade and consumption;

Recognizing the need, in the mutual interests of producers and consumers, and of exporters and importers, to avoid surpluses and shortages, and to maintain prices at an equitable level;

Noting the diversity and interdependence of dairy products;

Noting the situation in the dairy products market, which is characterized by very wide fluctuations and the proliferation of export and import measures;

Considering that improved co-operation in the dairy products sector contributes to the attainment of the objectives of expansion and liberalization of world trade, and the implementation of the principles and objectives concerning developing countries agreed upon in the Tokyo Declaration of Ministers dated 14 September 1973 concerning the Multilateral Trade Negotiations;

Determined to respect the principles and objectives of the General Agreement on Tariffs and Trade and, in carrying out the aims of this Arrangement, effectively to implement the principles and objectives agreed upon in the said Tokyo Declaration;/

The participants to the present Arrangement have, through their representatives, agreed as follows:

PART ONE

GENERAL PROVISIONS

Article I - Objectives

[The objectives of this Arrangement shall be in accordance with the principles and objectives agreed upon in the Tokyo Declaration of Ministers dated 14 September 1973 concerning the multilateral trade negotiations,

- to achieve the regular expansion of world trade in dairy products under market conditions as stable as possible, on the basis of mutual benefit to exporting and importing countries;
- to further the economic and social development of developing countries.]

Article II - Product Coverage

1. This Arrangement applies to the dairy products sector. For the purpose of this Arrangement, the term "dairy products" is deemed to include the following products, as defined in the Customs Co-operation Council Nomenclature:

	<u>CCCN</u>
(a) Milk and cream, fresh, not concentrated or sweetened	04.01
(b) Milk and cream, preserved, concentrated or sweetened	04.02
(c) Butter	04.03
(d) Cheese and curd	04.04
(e) Casein	ex 35.01

2. The International Dairy Products Council established in terms of Article VIII:1(a) of this Arrangement (hereinafter referred to as the Council) may decide that the Arrangement is to apply to other products in which dairy products referred to in paragraph 1 of this Article have been incorporated if it deems their inclusion necessary for the implementation of the objectives and provisions of this Arrangement.

Article III - Information

1. The participants agree to provide regularly and promptly to the Council the information required to permit it to monitor and assess the overall situation of the world market for dairy products and the world market situation for each individual dairy product.
2. The information that the participants undertake to provide pursuant to paragraph 1 of this Article, according to the modalities that the Council shall establish, shall include data on past performance, current situation and outlook regarding production, consumption, prices, stocks and trade, including transactions other than normal commercial transactions, in respect of the products referred to in Article II of this Arrangement, and any other information deemed necessary by the Council. Participants shall also provide information on their domestic policies and trade measures in the dairy sector [, and on the application of bilateral, plurilateral or multilateral commitments<sub>]</sub> and shall notify, as early as possible, any changes in such policies and measures that are likely to affect international trade in dairy products.

Article IV - Functions of the International Dairy  
Products Council and Co-operation between the  
Participants to this Arrangement

1. The Council shall meet in order to:
  - (a) make an evaluation of the situation in and outlook for the world market for dairy products, on the basis of a status report prepared by the secretariat with the documentation furnished by participants in accordance with Article III of this Arrangement, information arising from the operation of the Protocols covered by Article VI of this Arrangement, and any other information available to it;
  - (b) review the functioning of this Arrangement.

2. If after an evaluation of the world market situation and outlook, referred to in paragraph 1(a) of this Article, the Council finds that a serious market disequilibrium, or threat of such a disequilibrium, which affects [or may affect] international trade, is developing for dairy products in general or for one or more products, the Council will proceed to identify, taking particular account of the situation of developing countries, possible solutions for consideration by governments.
3. Depending on whether the Council considers that the situation defined in paragraph 2 of this Article is temporary or more durable, the measures referred to in paragraph 2 of this Article could include short-, medium- or long-term measures to contribute to improve the overall situation of the world market.
4. When considering measures that could be taken pursuant to paragraphs 2 and 3 of this Article, due account shall be taken of the special and more favourable treatment to be provided for developing countries, where this is feasible and appropriate.

Article V - Other General Provisions<sup>1</sup>

[Pro memoria] [(a) Safeguards]

Note: A proposal will be made at a later date along the following main lines:

[Without prejudice to the outcome of the negotiations in the Group "Safeguards", or in the light of bilateral, plurilateral or multilateral commitments deriving from the present Arrangement, consideration will have to be given to more stringent provisions for this sector designed basically to ensure compliance with those commitments. To that end, prior consultation and injury seem to be two of the aspects which will have to be considered in connexion with differential and more favourable treatment for developing countries that might be affected by the application of safeguard measures.]

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<sup>1</sup>It was recalled that, in the measures enumerated in this Article, provision should be made for special and differential treatment for developing countries.

/Pro memoria/ / (b) /Export/ subsidies

Note: A proposal will be made at a later date along the following main lines:

/In this sector too, due account will have to be taken of the outcome of the work in the Sub-Group on Subsidies and Countervailing Duties. Nevertheless, for this particular sector consideration should also be given to subsidies of any kind that contribute to distort markets for the products covered by the present Arrangement, including those applied at stages other than that of export but having effects similar to those of export subsidies./

It was noted by some delegations that negotiations were currently being held in the Sub-Group "Subsidies and Countervailing Duties" and it would be appropriate to await the outcome of those negotiations.

It was noted that the commitments entered into in terms of Article VI of this Arrangement were a contribution to the practical solution of this problem./

/Pro memoria/ / (c) Health and veterinary measures

Note: A proposal, which appears in sub-paragraph (i) was made. It was proposed that it should be supplemented by sub-paragraph (ii):

/ (i) Without prejudice to whatever might be decided elsewhere concerning the applicability to these measures of all or part of the rules deriving from the Code of Conduct, and without bringing into question the legitimate necessity for each government to protect human and animal health and life, it should be accepted that all such measures would be notified if possible before their implementation, that consultations would be initiated among interested countries (upon request) and that the negative effects of any of the measures on trade could be the subject of appropriate possible solutions./



/(ii) If the consultations do not result in the measure under reference ceasing to constitute an obstacle to the development of trade toward or from a particular country, on the proposal of the parties concerned the Council may identify measures that would tend to terminate the trade situation created or to promote additional arrangements consistent with the objectives set forth in Article I of the present Arrangement.<sup>1/</sup>

/Pro memoria/ /(d) Standards, rules on packaging and labelling, designation of origin

/Note: It was noted in connexion with paragraphs (c) and (d) that negotiations were currently being held in the Sub-Group "Technical Barriers to Trade". Group "Agriculture" has agreed to examine the applicability to agricultural products of the draft standards code drawn up in that Sub-Group. It would be appropriate to await the outcome of that examination.]

(e) Food aid and transactions other than normal commercial transactions

1. The participants agree:

(a) In co-operation with FAO and other interested organizations, to foster recognition of the value of dairy products in improving nutritional levels and of ways and means through which they may be made available for the benefit of developing countries.

(b) /Where possible and appropriate, to incorporate the donation or sale on concessional terms of dairy products or related equipment in their respective aid programmes.] Participants should notify the Council in advance each year of the scale of their proposed contributions of such food aid. It would be understood that contributions could be made bilaterally or through joint projects or through the World Food Programme.

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<sup>1/</sup>As regards general guidelines in regard to health matters, account should be taken of the suggestions set forth in paragraph 29 of document MTN/3R/23.]

(c) Recognizing the desirability of harmonizing their efforts in this field, as well as the need to avoid harmful interference with normal patterns of production and international trade, to exchange views in the Council on their arrangements for the supply of dairy products as food aid or on concessional terms.

2. Donated exports to developing countries, exports destined for relief purposes or welfare purposes in developing countries, and other transactions which are not normal commercial transactions shall be effected in accordance with the FAO Principles of Surplus Disposal and Consultative Obligations. Consequently, the Council shall co-operate closely with the Consultative Sub-Committee on Surplus Disposal and shall exercise over transactions other than normal commercial transactions, and in accordance with conditions and modalities established by it, continuing surveillance in order to ensure that such transactions are effected in accordance with the said principles.

/(f) Settlement of disputes

/(i) Each participant shall promptly afford adequate opportunity for consultation regarding such representations as may be made by any other participant with respect to any matter affecting this Arrangement. If a satisfactory solution cannot be reached, the Council shall, at the request of a participant, meet within a period of not more than [ ] days to consider the matter with a view to facilitating a satisfactory solution.]

/(ii) If the matter affects the application of the specific provisions of the Protocol Regarding Certain Milk Powders [and Casein] or the application of the specific provisions of the Protocol Regarding Milk Fat, any participant which considers that its trade interests are being seriously threatened and which is unable to reach a mutually satisfactory solution with the other participant or participants concerned, may request the Chairman of the Committee for the relevant Protocol established under Article VIII:2(a) of this Arrangement, to convene a special meeting of the Committee on an urgent basis so as to determine as rapidly as possible, and within four

working days if requested, any measures which may be required to meet the situation. If a satisfactory solution cannot be reached, the Council shall, at the request of the Chairman of the Committee for the relevant Protocol, meet within a period of not more than [ ] days to consider the matter with a view to facilitating a satisfactory solution.]

[(iii) If, following consideration by the Council, problems continue to exist between participants and these problems affect the rights and obligations of participants under the General Agreement on Tariffs and Trade, participants shall have recourse to the normal GATT dispute settlement procedures.//

PART TWO

SPECIFIC PROVISIONS

Article VI - Protocols

1. Without prejudice to the provisions of Articles I to V of this Arrangement, the products listed below shall be subject to the provisions of the Protocols annexed to this Arrangement:

Annex I - Protocol Regarding Certain Milk Powders  
/and Casein/<sup>1</sup>

Skimmed milk powder<sup>2</sup>

Partly skimmed milk powder<sup>2</sup>

Whole milk powder<sup>2</sup>

/Cream powder

/Buttermilk powder

/Casein

Annex II - Protocol Regarding Milk Fat <sup>1</sup>/I<sup>3</sup>

Milk Fat

/Annex III - Protocol Regarding Cheese<sup>1</sup> <sup>4</sup>  
Cheese

/Annex IV - Protocol Regarding Other Dairy Products<sup>1</sup>  
Other dairy products covered by Article II of this Arrangement

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<sup>1</sup>Including commitments entered into between participants to this Arrangement. In accordance with the approach envisaged in Article VII of this Arrangement, such commitments are recorded in Annex V.

<sup>2</sup>Excluding whey powder and buttermilk powder.

<sup>3</sup>The definition of products will be examined by experts.

<sup>4</sup>A proposal will be submitted at a later date.

/PART THREE

ADDITIONAL PROVISIONS

Article VII - Agreements between Participants to this Arrangement

1. The provisions of paragraph 2 of this Article shall be applicable to the products covered by Article II of this Arrangement.
2. The commitments entered into by the participants in pursuance of the objectives of this Arrangement are set forth in Annex V<sup>1</sup> to this Arrangement.]

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<sup>1</sup>In accordance with the approach envisaged in Article VI of this Arrangement, such commitments are recorded in the Protocols regarding the products to which they relate.

PART FOUR

Article VIII - Administration of the Arrangement

1. International Dairy Products Council

- (a) An International Dairy Products Council shall be established within the framework of the General Agreement on Tariffs and Trade. The Council shall comprise representatives of all participants to the Arrangement and shall carry out all the functions which are necessary to implement the provisions of the Arrangement. The Council shall be serviced by the GATT secretariat. The Council shall establish its own rules of procedure.

(b) Regular and special meetings

The Council shall normally meet at least twice each year. However, the Chairman may call a special meeting of the Council either on his own initiative, at the request of the Committees established under paragraph 2(a) of this Article, or at the request of a participant to this Arrangement.

(c) Co-operation with other organizations

The Council shall make whatever arrangements are appropriate for consultation or co-operation with intergovernmental and non-governmental organizations.

(d) Admission of observers

- (i) The Council may invite any non-participating country to be represented at any of its meetings as an observer.
- (ii) The Council may also invite any of the organizations referred to in paragraph 1(c) of this Article to attend any of its meetings as an observer.

2. Committees

- (a) The Council shall establish a Committee to carry out all the functions which are necessary to implement the provisions of the Protocol Regarding Certain Milk Powders [and Casein] and a Committee to carry out all the functions which are necessary to implement the provisions of the Protocol Regarding Milk Fat. Each of these Committees shall comprise representatives of all participants to the relevant Protocol. The Committees shall be serviced by the GATT secretariat. They shall report to the Council on the exercise of their functions.

(b) Examination of the market situation

The Council shall make the necessary arrangements, determining the modalities for the information to be furnished under Article III of this Arrangement, so that

- the Committee of the Protocol Regarding Certain Milk Powders [and Casein] may keep under constant review the situation in and the evolution of the international market for the products covered by this Protocol, and the conditions under which the provisions of this Protocol are applied by participants, taking into account the evolution of prices in international trade in each of the other dairy products having implications for the trade in products covered by this Protocol;

- the Committee of the Protocol Regarding Milk Fat may keep under constant review the situation in and the evolution of the international market for the products covered by this Protocol, and the conditions under which the provisions of this Protocol are applied by participants, taking into account the evolution of prices in international trade in each of the other dairy products having implications for the trade in products covered by this Protocol.

(c) Regular and special meetings

Each Committee shall normally meet at least once each quarter. However, the Chairman of each Committee may call a special meeting of the Committee on his own initiative or at the request of any participant.

PART FIVE

Article IX - Final Provisions

1. Entry into force

- (a) This Arrangement shall enter into force, for those participants having accepted it, on      . For participants accepting this Arrangement after that date, it shall be effective from the date of their acceptance.
- (b) The validity of contracts entered into before the date of entry into force of this Arrangement is not affected by this Arrangement.

/2. Validity/

3. /Amendment/ - /Revision/

The provisions of this Arrangement may be amended by the Council established in terms of Article VIII:1(a).

4. Relationship between the Arrangement and the Annexes

The Annexes shall be deemed to be an integral part of this Arrangement, and likewise the register of processes and control measures referred to in Article III:5 of the Protocol Regarding Certain Milk Powders /and Casein/.

5. Relationship between the Arrangement and the General Agreement on Tariffs and Trade

- (a) Nothing in this Arrangement shall affect the rights and obligations of participants under the General Agreement on Tariffs and Trade.
- /(b) This Arrangement and its Annexes shall be annexed to the /Geneva/ Protocol (...). /



6. Acceptance

- (a) This Arrangement is open for acceptance, by signature or otherwise, by governments (including the competent authorities of the European Communities) members of the United Nations or of one of its specialized agencies.
- (b) This Arrangement shall be deposited with the Director-General to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade who shall promptly furnish a certified copy thereof and a notification of each acceptance thereof to each participant. The texts of this Arrangement in the English, French and Spanish languages shall all be equally authentic.
- (c) Acceptance of this Arrangement shall carry denunciation of the Arrangement Concerning Certain Dairy Products, done at Geneva on 12 January 1970 which entered into force on 14 May 1970, for participants having accepted that Arrangement and denunciation of the Protocol Relating to Milk Fat, done at Geneva on 2 April 1973 which entered into force on 14 May 1973, for participants having accepted that Protocol.

7. Withdrawal

Any government (including the competent authorities of the European Communities) may withdraw from this Arrangement. Such withdrawal shall take effect upon the expiration of sixty days from the day on which written notice of withdrawal is received by the Director-General to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade.

ANNEX I

Protocol Regarding Certain Milk Powders  
/and Casein/

PROTOCOL REGARDING CERTAIN MILK POWDERS  
/AND CASEIN/

PART ONE

Article I - Product Coverage

1. This Protocol applies to:
  - (a) skimmed milk powder having a milk fat content of less than or equal to 1.5 per cent by weight<sup>1</sup>;
  - (b) partly skimmed milk powder having a milk fat content of more than 1.5 per cent and less than 26 per cent by weight<sup>1</sup>;
  - (c) whole milk powder having a milk fat content equal to or greater than 26 per cent and less than 40 per cent by weight<sup>1</sup>;
  - [(d) cream powder having a milk fat content equal to or greater than 40 per cent by weight;]
  - [(e) buttermilk powder having a milk fat content of less than or equal to 11 per cent by weight.]
  - [(f) casein having a milk fat content of less than or equal to 2 per cent by weight.]

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<sup>1</sup>Excluding whey powder and buttermilk powder.

PART TWO

Article II - Pilot Products

1. For the purpose of this Protocol, minimum and maximum export prices shall be established for the pilot products of the following descriptions:

(a) Designation: Skimmed milk powder

Milk fat content: Less than or equal to 1.5 per cent by weight

Water content: Less than or equal to 5 per cent by weight

(b) Designation: Whole milk powder

Milk fat content: Equal to or more than 26 per cent by weight

Water content: Less than or equal to 5 per cent by weight

(c) Designation: Buttermilk powder

Milk fat content: Less than or equal to 11 per cent by weight

Water content: Less than or equal to 5 per cent by weight

(d) Designation: Casein

Milk fat content: Less than or equal to 2 per cent by weight

Water content: Less than or equal to 12 per cent by weight

Packaging: In packages normally used in the trade of a net content by weight of not less than 25 kgs.

Terms of sale: F.o.b. ocean-going vessels from the exporting country or, for a land-locked country, f.o.b. from one maritime port of its choice to be designated at the time it signifies its acceptance; or for the countries to be listed in a note, f.o.b. from one maritime port of their choice to be designated at the time they signify their acceptance; or free-at-frontier exporting country. Prompt payment against documents.

PART TWO (cont'd)

Article III - Minimum /and Maximum/ Prices

Level and observance of minimum /and maximum/ prices

1. Participants undertake to take the steps necessary to ensure that the export prices of the products defined in Article II of this Protocol shall not be less than the minimum prices /nor more than the maximum prices/ applicable under the present Protocol. If the products are exported in the form of goods in which they have been incorporated, the participants shall take the steps necessary to avoid the circumvention of the price provisions of this Protocol.

2. /a/ The minimum prices provided for in paragraph 1 of the present Article shall be established with a view to ensuring a greater degree of stability in trade in the products concerned by narrowing the range of fluctuations in international price levels. Accordingly, the price levels set out in this present Article shall be established at levels which take account of the need to establish and maintain a broad relationship with dairy price support levels in /the EEC and the United States/ recognizing the rôle that these support levels play in limiting the upward movement in market prices. Account should also be taken of the current market situation, the need to ensure an appropriate relationship between the minimum prices established in the Protocols to the present Arrangement; and the need to establish and maintain a minimum return to the most efficient producers in order to ensure stability of supply over the longer term./

(b) The minimum prices provided for in paragraph 1 of the present Article applicable at the date of entry into force of this Protocol are fixed at:

- (i) US\$/.../ /per 100 kgs./ /per metric ton/ for the skimmed milk powder defined in Article II of this Protocol.
- (ii) US\$/.../ /per 100 kgs./ /per metric ton/ for the whole milk powder defined in Article II of this Protocol.
- /iii/ US\$/.../ /per 100 kgs./ /per metric ton/ for the buttermilk powder defined in Article II of this Protocol./
- /iv/ US\$/.../ /per 100 kgs./ /per metric ton/ for the casein defined in Article II of this Protocol./

PART TWO (cont'd)

Article III (cont'd)

The maximum prices provided for in paragraph 1 of the present Article applicable at the date of entry into force of this Protocol are fixed at:

- (i) US\$/.../ /per 100 kgs./ /per metric ton/ for the skimmed milk powder defined in Article II of this Protocol.
- (ii) US\$/.../ /per 100 kgs./ /per metric ton/ for the whole milk powder defined in Article II of this Protocol.
- /(iii) US\$/.../ /per 100 kgs./ /per metric ton/ for the buttermilk powder defined in Article II of this Protocol./
- /(iv) US\$/.../ /per 100 kgs./ /per metric ton/ for the casein defined in Article II of this Protocol./

/First alternative:

3. The levels of the minimum /and maximum/ prices specified in the present Article can be modified by the Committee established in terms of Article VIII:2(a) of the Arrangement, hereinafter referred to as "the Committee", taking into account, on the one hand, the results of the operation of the Protocol and, on the other hand, the evolution of the situation of the international market./

/Second alternative:

3. The levels of the minimum prices specified in the present Article shall be subject to annual review by the Committee established in terms of Article VIII:2(a) of the Arrangement, hereinafter referred to as "the Committee". The Committee shall meet in / / of each year for this purpose. In undertaking this review the Committee shall have regard to the desirability of maintaining and improving the relationship between the levels of the minimum prices set out in paragraph 2(b) of the present Article, and the dairy support levels /in the EEC and the United States/ but shall also take account, to the extent relevant and necessary, of costs faced by producers, currency factors, the need to maintain a long-term minimum return to the most economic producers, the need to maintain stability of supply, and the current market situation./

PART TWO (cont'd)

Article III (cont'd)

Adjustment of minimum /and maximum/ prices

4. If the products actually exported differ from the pilot products in respect of the fat content, packaging or terms of sale, the minimum /and maximum/ prices shall be adjusted so as to protect the minimum /and maximum/ prices established in this Protocol for the products specified in Article II of this Protocol according to the following provisions:

Milk fat content:

First alternative: If the fat content of whole milk powder is greater or less than 26 per cent, the minimum price /and the maximum price/ for this product shall be increased or reduced by US\$/.../ for each 1 per cent of fat./

Second alternative: (a) For powders with a fat content between 1.5 per cent and 26 per cent, the price per metric ton shall be calculated in accordance with the following formula, where X is the fat content of the powder in question:

$$\text{Price per ton} = \left[ \frac{X - 1.5}{24.5} \times \text{price of whole milk powder} \right] + \left[ 1 - \frac{X - 1.5}{24.5} \right] \times \text{price of skimmed milk powder}$$

(b) For powders with a fat content between 26 per cent and 100 per cent, the price per metric ton shall be calculated in accordance with the following formula, where X is the fat content of the powder in question:

$$\text{Price per ton} = \left[ \frac{X - 26}{74} \times \text{milk fat price} \right] + \left[ 1 - \frac{X - 26}{74} \right] \times \text{whole milk powder price}$$

PART TWO (cont'd)

Article III (cont'd)

**Packaging** If the products are offered otherwise than in packages normally used in the trade of a net content by weight of not less than 25 kgs., the application of the minimum and maximum prices shall be adjusted so as to reflect the difference in the cost of packaging from the type of package specified above.

**Terms of sale:** If sold on terms other than f.o.b. from the exporting country or, for a land-locked country, f.o.b. from the maritime part of its choice, or, for the countries to be listed in a note, f.o.b. from the maritime port of their choice, or free-at-frontier exporting country, the minimum and maximum prices shall be calculated on the basis of the minimum and maximum f.o.b. prices specified in paragraph 2 of this Article, plus the real and justified costs of the services provided; if the terms of the sale include credit, this shall be charged for at the prevailing commercial rate.

Exports and imports of skimmed milk powder, whole milk powder and buttermilk powder for purposes of animal feed

5. (a) By derogation from the provisions of paragraphs 1 to 4 of this Article participants may, under the conditions defined below, export or import, as the case may be, skimmed milk powder and whole milk powder and buttermilk powder for purposes of animal feed at prices below the minimum price s provided for in this Protocol for this product these products. The participants may make use of this possibility only to the extent that the processes and control measures which they intend to apply or which will be applied in the country of destination, so as to ensure that the skimmed milk powder and whole milk powder and buttermilk powder thus exported or imported is are used exclusively for animal feed, are approved by the Committee and recorded in a register established by it.



PART TWO (cont'd)

Article III (cont'd)

/First alternative: /Participants wishing to make use of the provisions of this paragraph shall give the Committee advance notification of their intention to do so./ The participants shall furnish the necessary information concerning their transactions in respect of skimmed milk powder /, whole milk powder/ /and buttermilk powder/ for purposes of animal feed, so that the Committee may follow developments in this sector and periodically make forecasts concerning the evolution of this trade./

/Second alternative: So long as participants have recourse to the provisions of sub-paragraph (a) of this paragraph, they shall furnish to the secretariat each month the information referred to in sub-paragraph (c) of this paragraph./

- (b) If, on the basis of the information furnished, in accordance with sub-paragraph (a) above, the Committee finds that the market situation has become normal again in three consecutive months, the possibility for participants to have recourse to the provisions of sub-paragraph (a) shall be suspended automatically.

Participants may again have recourse to the provisions of sub-paragraph (a) only where the Committee has found in three consecutive months that the market situation has become abnormal again.

- (c) For the purpose of the provisions of this paragraph, the market situation mentioned in sub-paragraph (b) above shall be deemed to be normal when:

- the volume of stocks held by exporting participants is equal to or less than, and
- the price /of soybean meal, 44 per cent protein, United States, c.i.f. Rotterdam/ is equal to or higher than

the level that they had respectively reached in the most recent year in which no participant had recourse to the provisions of sub-paragraph (a)./

PART TWO (cont'd)

Article III (cont'd)

Special conditions of sales

6. Participants undertake within the limit of their institutional possibilities to ensure that practices such as those referred to in Article IV:1 of this Protocol do not have the effect of directly or indirectly bringing the export prices of the products subject to the minimum price provisions below the agreed minimum prices /nor of raising the export prices of the products subject to the maximum price provisions above the agreed maximum prices/.

Field of application

7. For each participant, this Protocol is applicable to exports of the products specified in Article I of this Protocol manufactured or repacked inside its own customs territory.

Transactions other than normal commercial transactions

8. The provisions of paragraphs 1 to 7 of this Article shall not be regarded as applying to donated exports to developing countries or to exports destined for relief purposes or welfare purposes in developing countries.

/9. Exports for welfare purposes in developed countries, such as school lunch programmes, of the products covered by this Protocol shall be subject to the pricing provisions of this Article, it being understood however that a derogation under Article VIII of this Protocol shall be granted, when justified, after taking into account the specific character of welfare shipments, including school lunch programmes, their terms of sale, trade effects and other factors./

Article IV - Provision of Information

/1. In cases where prices in international trade of the products covered by Article I of this Protocol are approaching the minimum prices mentioned in paragraph 2 of Article III of this Protocol, without prejudice to the

PART TWO (cont'd)

Article IV (cont'd)

provisions of Article III of the Arrangement, participants exporting these products shall notify to the Committee all the relevant elements for evaluating their own market situation and, in particular, credit or loan practices, twinning with other products, barter or three-sided transactions, refunds or rebates and exclusivity contracts, packaging costs and details of the packaging of imports so that the Committee can make a verification.

Article V - Obligations of Exporting Participants  
at the Level of Maximum Prices

1. Exporting participants undertake to supply importing participants on a priority basis and to deliver to them, at prices consistent with the prices determined in paragraph 2 of Article III of this Protocol, certain quantities of products covered by Article I of this Protocol.

Note: It was noted that provision should be made for the possibility of special and differential treatment for developing countries.

Article VI - Co-operation of Importing Countries

1. Participants which import products covered by Article I of this Protocol undertake in particular:

first alternative:

- (a) to co-operate in implementing the minimum prices objective of this Protocol and to ensure, as far as possible, that the products covered by Article I of this Protocol are not imported at less than the appropriate customs valuation equivalent to the prescribed minimum prices;

second alternative:

- (a) to buy supplies, subject to contracts already concluded, solely from participants exporting products covered by Article I of this Protocol, in cases where prices in international trade of those products are at the level of the agreed minimum prices and not to resell the quantities delivered by participants exporting those products in cases where prices in international trade of those products are at the level of the agreed maximum prices;

PART TWO (cont'd)

Article VI (cont'd)

- (b) without prejudice to the provisions of Article III of the Arrangement, to supply information concerning imports of products covered by Article I of this Protocol from non-participants; and
- (c) to consider sympathetically proposals for appropriate remedial action if imports at prices inconsistent with the minimum prices threaten the operation of this Protocol.

2. Paragraph 1 of this Article shall not apply to imports of skimmed milk powder /, whole milk powder / /and buttermilk powder/ for purposes of animal feed, provided that such imports are subject to the measures and procedures provided for in paragraph 5 of Article III of this Protocol.

/Article VII - Commitments

/1. The commitments entered into between participants to this Arrangement in respect of products covered by Article I of this Protocol are set forth hereinafter./

/2. The rights and obligations stipulated in Article XXVIII of the General Agreement on Tariffs and Trade for the party referred to in that Article as the "applicant contracting party" and for any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of that Article to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, shall be applicable mutatis mutandis to the commitments between participants mentioned in paragraph 1 of this Article.

3. In the evaluation of any compensatory adjustment that the applicant contracting party would be required to grant and that any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of Article XXVIII of the General Agreement on Tariffs and Trade to have a principal supplying interest, and

PART TWO (cont'd)

/Article VII (cont'd)/

any contracting party determined under the said paragraph to have a substantial interest, would be entitled to obtain, in the event of application of paragraph 2 of this Article, due account shall be taken of the benefits accruing to the participants in particular from the application of each of the other Protocols referred to in Article VI of this Arrangement. /

PART THREEArticle VIII - Derogations

1. Upon request by a participant, the Committee shall have the authority to grant derogations from the provisions of paragraphs 1 to 5 and 9 of Article III of this Protocol in order to remedy difficulties which observance of minimum prices could cause certain participants. The Committee shall pronounce on such a request within three months from the date of the request.

Article IX - Emergency Action

1. Any participant, which considers that its interests are seriously endangered by a country not bound by this Protocol, can request the Chairman of the Committee to convene an emergency meeting of the Committee within two working days to determine and decide whether measures would be required to meet the situation. If such a meeting cannot be arranged within the two working days and the commercial interests of the participant concerned are likely to be materially prejudiced, that participant may take unilateral action to safeguard its position, on the condition that any other participants likely to be affected are immediately notified. The Chairman of the Committee shall also be formally advised immediately of the full circumstances of the case and shall be requested to call a special meeting of the Committee at the earliest possible moment.

ANNEX II

Protocol Regarding Milk Fat

PROTOCOL REGARDING MILK FAT

PART ONE

Article I - Product Coverage<sup>1/</sup>

1. This Protocol applies to milk fat falling under CCCN heading No. 04.03, having a milk fat content equal to or greater than 50 per cent by weight.

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<sup>1/</sup> It was agreed that Article I would be examined by experts.



PART TWO

Article II - Pilot Products<sup>1/</sup>

1. For the purpose of this Protocol, minimum and maximum export prices shall be established for the pilot products of the following descriptions:

(a) Designation: Anhydrous milk fat

Milk fat content: 99.3 per cent by weight

Water content:      

Packaging: In packages normally used in the trade of a net content by weight of not less than 25 kgs.

Terms of sale: f.o.b. from the exporting country or, for a land-locked country, f.o.b. from one maritime port of its choice to be designated at the time it signifies its acceptance; or for the countries to be listed in a note, f.o.b. from one maritime port of their choice to be designated at the time they signify their acceptance; or free-at-frontier exporting country. Prompt payment against documents.

(b) Designation: Butter

Milk fat content: Equal to or greater than 80 per cent and less than 82 per cent by weight 80 per cent by weight

Water content: Less than or equal to 16 18 per cent by weight

Packaging: In packages normally used in the trade of a net content by weight of not less than 25 kgs.

Terms of sale: f.o.b. from the exporting country or, for a land-locked country, f.o.b. from one maritime port of its choice to be designated at the time it signifies its acceptance; or for the countries to be listed in a note, f.o.b. from one maritime port of their choice to be designated at the time they signify their acceptance; or free-at-frontier exporting country. Prompt payment against document.

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<sup>1/</sup> It was agreed that Article II would be examined by experts.

PART TWO (cont'd)

Article III - Minimum /and Maximum/ Prices

Level and observance of minimum /and maximum/ prices

1. <sup>1/</sup> Participants undertake to take the steps necessary to ensure that the export prices of the products defined in Article II of this Protocol shall not be less than the minimum prices /nor more than the maximum prices/ applicable under the present Protocol. If the products are exported in the form of goods in which they have been incorporated, participants shall take the steps necessary to avoid the circumvention of the price provisions of this Protocol.
2. <sup>1/</sup>(a) The minimum prices provided for in paragraph 1 of the present Article shall be established with a view to ensuring a greater degree of stability in trade in the products concerned by narrowing the range of fluctuations in international price levels. Accordingly, the price levels set out in this present Article shall be established at levels which take account of the need to establish and maintain a broad relationship with dairy price support levels in /the EEC and the United States/ recognizing the rôle that these support levels play in limiting the upward movement in market prices. Account should also be taken of the current market situation, the need to ensure an appropriate relationship between the minimum prices established in the Protocols to the present Arrangement; and the need to establish and maintain a minimum return to the most efficient producers in order to ensure stability of supply over the longer term.<sup>7</sup>

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<sup>1/</sup> It was agreed that Article III:1 would be examined by experts.

(b) The minimum prices provided for in paragraph 1 of the present Article applicable at the date of entry into force of this Protocol are fixed at:

- (i) US\$        /per 100 kgs./        /per metric ton/ for the anhydrous milk fats defined in Article II of this Protocol.
- (ii) US\$        /per 100 kgs./        /per metric ton/ for the butter defined in Article II of this Protocol.

The maximum prices provided for in paragraph 1 of the present Article applicable at the date of entry into force of this Protocol are fixed at:

- (i) US\$        /per 100 kgs./        /per metric ton/ for the anhydrous milk fat defined in Article II of this Protocol.
- (ii) US\$        /per 100 kgs./        /per metric ton/ for the butter defined in Article II of this Protocol.

First alternative:

3. The levels of the minimum and maximum prices specified in the present Article can be modified by the Committee established in terms of Article VIII:2(a) of the Arrangement, hereinafter referred to as "the Committee", taking into account, on the one hand, the results of the operation of the Protocol and, on the other hand, the evolution of the situation of the international market.

Second alternative:

3. The levels of the minimum prices specified in the present Article shall be subject to annual review by the Committee established in terms of Article VIII:2(a) of the Arrangement, hereinafter referred to as "the Committee". The Committee shall meet in        of each year for this purpose. In undertaking this review the Committee shall have regard to the desirability of maintaining and improving the relationship between the levels of the minimum prices set out in paragraph 2(b) of the present Article, and the dairy support levels in the EEC and the United States but shall also take account, to the extent relevant and necessary, of costs faced by producers, currency factors, the need to maintain a long-term minimum return to the most economic producers, the need to maintain stability of supply, and the current market situation.

PART TWO (cont'd)

Article III (cont'd)

Adjustment of minimum /and maximum/ prices<sup>1/</sup>

4. If the products actually exported differ from the pilot products in respect of the fat content, packaging or terms of sale, the minimum /and maximum/ prices shall be adjusted so as to protect the minimum /and maximum/ prices established in this Protocol for the products specified in Article II of this Protocol according to the following provisions:

Milk fat content: /If the fat content of butter is /equal to or/ greater than /82 per cent/ or less than 80 per cent, the minimum price /and the maximum price/ of this product shall be increased or reduced by /.../ dollars per tranche of 1 per cent of milk fat/

Packaging: /If the products are offered otherwise than in packages normally used in the trade of a net content by weight of not less than 25 kgs., the application of the minimum /and maximum/ prices shall be adjusted so as to reflect the difference in the cost of packaging from the type of package specified above./

Terms of sale: /If sold on terms other than f.o.b. from the exporting country or, for a land-locked country, f.o.b. from the maritime port of its choice /or, for the countries to be listed in a note, f.o.b. from the maritime port of their choice/, or free-at-frontier exporting country, the minimum /and maximum/ prices shall be calculated on the basis of the minimum /and maximum/ f.o.b. prices specified in paragraph 2 of this Article plus the real and justified costs of the services provided; if the terms of the sale include credit, this shall be charged for at the prevailing commercial rate./

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<sup>1/</sup> It was agreed that Article III:4 would be examined by experts.

PART TWO (cont'd)

Article III (cont'd)

Special conditions of sales

5. Participants undertake within the limit of their institutional possibilities to ensure that practices such as those referred to in Article IV:1 of this Protocol do not have the effect of directly or indirectly bringing the export prices of the products subject to the minimum price provisions below the agreed minimum prices /nor of raising the export prices of the products subject to the maximum price provisions above the agreed maximum prices/.

Field of application<sup>1/</sup>

6. For each participant, this Protocol is applicable to exports of the products specified in Article I of this Protocol manufactured or repacked inside its own customs territory /, whether their destination is temporary or final/.

Transactions other than normal commercial transactions

7. The provisions of paragraphs 1 to 6 of this Article shall not be regarded as applying to donated exports to developing countries or to exports destined for relief purposes or welfare purposes in developing countries.

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<sup>1/</sup> It was agreed that Article III:6 would be examined by experts.

PART TWO (cont'd)

Article IV - Provision of Information

/1. In cases where prices in international trade of the products covered by Article I of this Protocol are approaching the minimum prices mentioned in paragraph 2 of Article III of this Protocol, without prejudice to the provisions of Article III of the Arrangement, participants /exporting these products/ shall notify to the Committee all the relevant elements for evaluating their own market situation and, in particular, credit or loan practices, twinning with other products, barter or three-sided transactions, refunds or rebates and exclusivity contracts, /packaging costs and details of the packaging of imports,/ so that the Committee can make a verification./

/Article V - Obligations of Exporting Participants  
/at the Level of Maximum Prices/

/1. Exporting participants undertake to supply importing participants on a priority basis /and to deliver to them, at prices consistent with the prices determined in paragraph 2 of Article III of this Protocol, /certain quantities of/ products covered by Article I of this Protocol./

Note: It was noted that provision should be made for the possibility of special and differential treatment for developing countries./

Article VI - Co-operation of Importing Countries

1. Participants which import products covered by Article I of this Protocol undertake in particular:

/first alternative:

- (a) to co-operate in implementing the minimum prices objective of this Protocol and to ensure, as far as possible, that the products covered by Article I of this Protocol are not imported at less than the appropriate customs valuation equivalent to the prescribed minimum prices;/

PART TWO (cont'd)

Article VI (cont'd)

/second alternative:

- (a) to buy supplies, subject to contracts already concluded, solely from participants exporting products covered by Article I of this Protocol, in cases where prices in international trade of those products are at the level of the agreed minimum prices /and not to resell the quantities delivered by participants exporting those products in cases where prices in international trade of those products are at the level of the agreed maximum prices7;\_7
- (b) without prejudice to the provisions of Article III of the Arrangement, to supply information concerning imports of products covered by Article I of this Protocol from non-participants; and
- (c) to consider sympathetically proposals for appropriate remedial action if imports at prices inconsistent with the minimum prices threaten the operation of this Protocol.

/Article VII - Commitments

/1. The commitments entered into between participants to this Arrangement in respect of products covered by Article I of this Protocol are set forth hereinafter.7

/2. The rights and obligations stipulated in Article XXVIII of the General Agreement on Tariffs and Trade for the party referred to in that Article as the "applicant contracting party" and for any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of that Article to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, shall be applicable mutatis mutandis to the commitments between participants mentioned in paragraph 1 of this Article.

PART TWO (cont'd)

/Article VII (cont'd)/

3. In the evaluation of any compensatory adjustment that the applicant contracting party would be required to grant and that any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of Article XXVIII of the General Agreement on Tariffs and Trade to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, would be entitled to obtain, in the event of application of paragraph 2 of this Article, due account shall be taken of the benefits accruing to the participants in particular from the application of each of the other Protocols referred to in Article VI of this Arrangement.77



/PART THREE/

/Article VIII - Derogations/

/1. Upon request by a participant, the Committee shall have the authority to grant derogations from the provisions of paragraphs 1 to 4 of Article III of this Protocol in order to remedy difficulties which observance of minimum prices could cause certain participants. The Committee shall pronounce on such a request within three months from the date of the request./

Article IX - Emergency Action

1. Any participant, which considers that its interests are seriously endangered by a country not bound by this Protocol, can request the Chairman of the Committee to convene an emergency meeting of the Committee within two working days to determine and decide whether measures would be required to meet the situation. If such a meeting cannot be arranged within the two working days and the commercial interests of the participant concerned are likely to be materially prejudiced, that participant may take unilateral action to safeguard its position, on the condition that any other participants likely to be affected are immediately notified. The Chairman of the Committee shall also be formally advised immediately of the full circumstances of the case and shall be requested to call a special meeting of the Committee at the earliest possible moment.

/ANNEX III

Protocol Regarding Cheese/

/PROTOCOL REGARDING CHEESE<sup>1</sup>

Article I

/1. Concerted disciplines shall be established in respect of cheese. They shall constitute instruments co-operating toward the objectives of the General Agreement on Tariffs and Trade. They shall comprise rules of conduct, applicable by all participants to the present Arrangement, which may be clarified and supplemented, in respect of their implementing conditions, by bilateral or plurilateral commitments.<sup>7</sup>

/2. Multilateral rules of conduct

In view of the fact that adjustments of import and/or export policy are closely involved, these commitments must be entered into by both importing and exporting countries. Consequently, each participant shall undertake to take all necessary action to adjust

- its import policy in all necessary elements so as to ensure that its imports take place in the most orderly and regular conditions possible;
- its export policy in such a way that its exports take place in the most orderly and regular manner possible.<sup>7</sup>

Article II

/1. Commitments between participants to this Arrangement

The bilateral or plurilateral commitments clarifying and supplementing the content and nature of the disciplines accepted by the participants to this Arrangement are set forth hereinafter.<sup>7</sup>

/2. The rights and obligations stipulated in Article XXVIII of the General Agreement on Tariffs and Trade for the party referred to in that Article as the "applicant contracting party" and for any contracting party with which a concession was initially negotiated, any contracting party

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<sup>1</sup>A proposal will be submitted at a later date.

Article II (cont'd)

determined under paragraph 1 of that Article to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, shall be applicable mutatis mutandis to the commitments between participants mentioned in paragraph 1 of this Article.

3. In the evaluation of any compensatory adjustment that the applicant contracting party would be required to grant and that any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of Article XXVIII of the General Agreement on Tariffs and Trade to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, would be entitled to obtain, in the event of application of paragraph 2 of this Article, due account shall be taken of the benefits accruing to the participants in particular from the application of each of the other Protocols referred to in Article VI of this Arrangement.77

/ANNEX IV

Protocol Regarding Other Dairy Products/

/PROTOCOL REGARDING OTHER DAIRY PRODUCTS

Article I - Commitments between Participants to this Arrangement

/1. The commitments entered into between participants to this Arrangement in respect of products covered by Article II of this Arrangement which are not within the purview of the Protocol Regarding Certain Milk Powders /and Casein/, the Protocol Regarding Milk Fat or the Protocol Regarding Cheese are set forth hereinafter./

/2. The rights and obligations stipulated in Article XXVIII of the General Agreement on Tariffs and Trade for the party referred to in that Article as the "applicant contracting party" and for any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of that Article to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, shall be applicable mutatis mutandis to the commitments between participants mentioned in paragraph 1 of this Article.

3. In the evaluation of any compensatory adjustment that the applicant contracting party would be required to grant and that any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of Article XXVIII of the General Agreement on Tariffs and Trade to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, would be entitled to obtain, in the event of application of paragraph 2 of this Article, due account shall be taken of the benefits accruing to the participants in particular from the application of each of the other Protocols referred to in Article VI of this Arrangement.//

/ANNEX V/

/Results of Bilateral or Plurilateral Negotiations as  
Extracted from the Schedules Annexed to the /Geneva/ Protocol (...)//