

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED

Spec(83)53/Corr.1
16 January 1984

International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL

NINTH SESSION

Draft Report

Corrigendum

Page 12, paragraph 21

After "... on subsidized terms like the EEC" replace the remainder of the paragraph with the following:

"On the other hand there was also a question of equity involved in that it seemed unacceptable for one major exporter to be allowed to subsidize without restraint and another to be denied that opportunity. In this regard, the EEC's dairy subsidies had in fact caused Australia much more difficulty than United States' dairy surplus disposals up to this point in time. But Australia was concerned about the future and in this context he expressed the hope that such transactions as the United States' sale to Egypt would not be repeated and pointed out the need for greater co-operation to ensure that the market was not disrupted. He emphasized that there were symptoms of a very fundamental malaise in the dairy sector, obviously deriving from the accumulation of surpluses, for which the mechanism of intervention support buying was mainly responsible. It would be advisable for the Council to examine the fundamentals and not only a symptom of that underlying malaise, and to reflect on the problem as a whole in the context of that particular transaction."

Page 20, paragraph 37

After "... concern to Australia" add "and these had been made known directly to the EEC".

Page 22, paragraph 44

Replace the paragraph with the following:

"The representative of Australia said that the Government's arrangements for ensuring the observance of the IDA had been considerably tightened in a number of respects and the Australian industry had been properly informed of its obligations under the arrangement and of the penalties to which exporters would render themselves liable if they breached the arrangement. He hoped that the attention of traders in the EEC would likewise be drawn to their obligations."

Page 23, paragraph 47

After "... the increase had occurred in 1982/83 despite a drought, thanks in particular to drought ..." replace the remainder of the paragraph with the following:

"assistance aimed at other industries and which included the provision of fodder on a subsidized basis, the dairy industry, with its sound cash flow, had been able to take a great deal of advantage of the Fodder Assistance Programme. At the beginning of the 1983-84 season, production had increased again because of excellent seasonal conditions. Milk production was expected to reach 5.65 million litres in 1983-84, whereas it had been 5.525 million litres in the previous season. That development had come at the wrong time, when the market

was under pressure from stocks, which were particularly large in the United States and the EEC, and the industry had to bear the consequences, since there was no machinery in Australia for intervention purchases by the Government, of unsold products. The present difficulties in the dairy sector concerned all participants in the arrangement, not only the EEC and the United States. The Council could give a very useful message to policy makers to help in the difficult process of achieving a more rational development of policies in the future, so that the excesses so apparent at present could be moderated. Among support measures, the most pernicious of all was intervention buying; that was an area on which the Council might focus attention."

Page 29, paragraph 58

Replace the paragraph with the following:

"The representative of Australia pointed out that the description adopted during the negotiations had been aimed essentially at the lowest price end of the cheese trade. The intention had been that there should be one single minimum price to protect the whole of the trade and that the minimum price should be set very conservatively against a Cheddar specification. It had been expected that if traders selling cheese commercially could take a quality premium, they would always do so. As to cheeses with a lower fat content, the assumption at the time had probably been that there would not be much trade in those products and that the same single minimum price would continue to apply."