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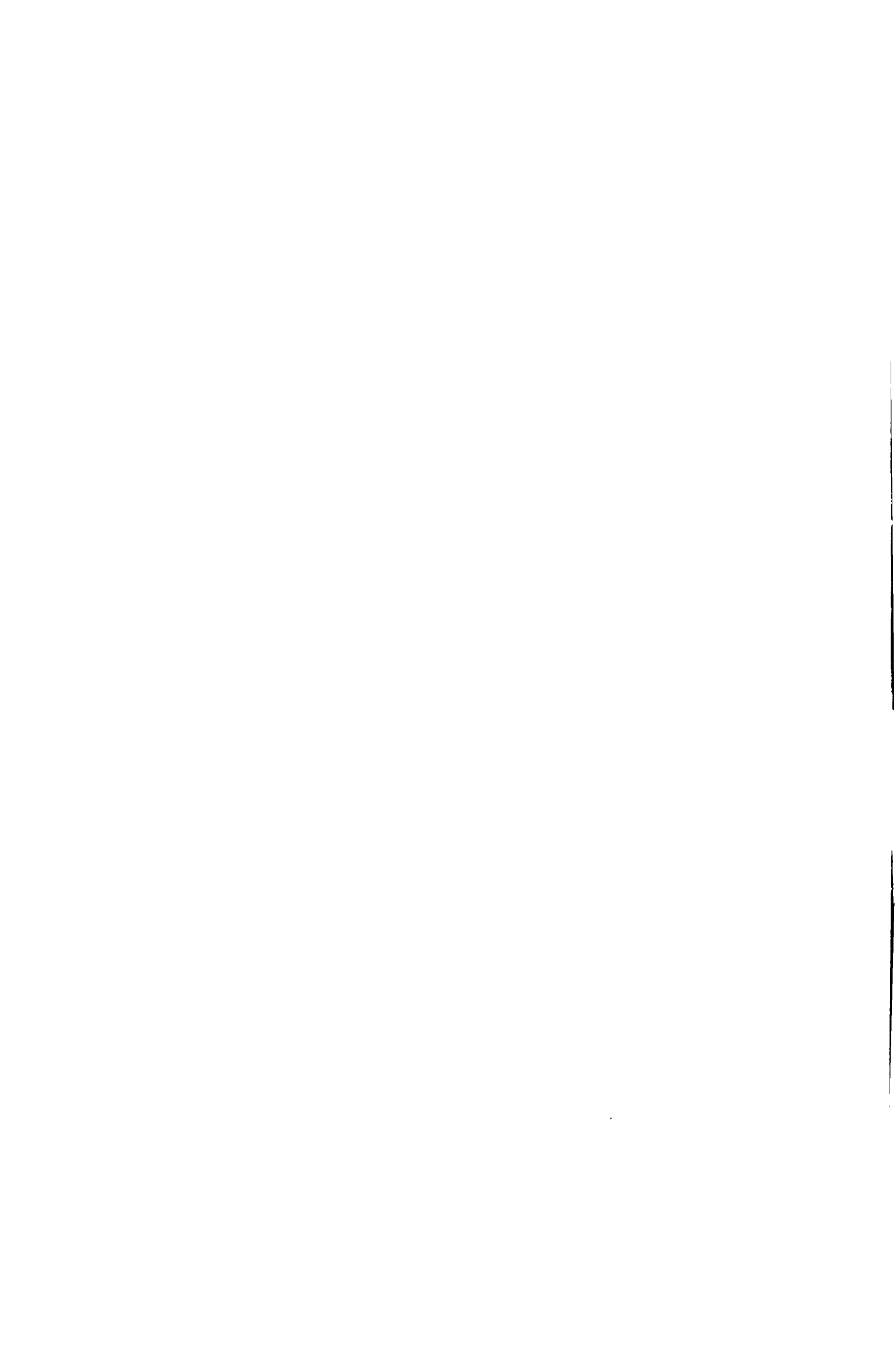
PROPOSAL FOR A
REGULATION (EEC) OF THE COUNCIL

amending Regulation (EEC) No 1655/76 extending the transitional
arrangements for the import of New Zealand butter into the
United Kingdom

PROPOSAL FOR A
REGULATION (EEC) OF THE COUNCIL

relating to the importation of New Zealand butter into the
Community on special terms

(submitted to the Council by the Commission)



EXPLANATORY MEMORANDUM

1. Under Council Regulation (EEC) No 1655/76 of 29 June 1976 extending the transitional arrangements for the import of New Zealand butter into the United Kingdom¹, the United Kingdom is authorized to import

1978:	125 000 tonnes
1979:	120 000 tonnes
1980:	115 000 tonnes

of New Zealand butter on special terms.

These special arrangements, which were originally introduced by Protocol No 18 annexed to the Act of Accession, provide for the application of a cif price, observance of which must be guaranteed by New Zealand, and a special levy, fixed at a level ensuring that the quantities imported can be sold at a steady rate on the United Kingdom market without disturbing the balance of the Community butter market.

2. In August 1979 the Commission submitted to the Council a report on the milk products situation in the Community, the world market and in New Zealand in relation to the import of New Zealand butter into the United Kingdom (Doc. 8832/79 of 10 September 1979/COM(79) 444 final).

In this report the Commission sets out its guidelines not only with regard to the scope for continued imports of New Zealand butter into the Community in the future but also with regard to a modest reduction in the quantities imported even in 1980. In addition, the Commission expressed the opinion that the existing import arrangements should be altered as soon as possible in order to improve their working. The aim of the two proposals for Regulations attached is to achieve these objectives.

New Zealand has suffered economic difficulties in recent years and it will be some time before it is able to create a more broadly based economy through the development of its energy and other natural resources. New Zealand's capacity to cope with those difficulties and to continue to provide a pole of stability in the Pacific depends

therefore in large degree on the maintenance of secure access to the E.C. for its exports of dairy products. The Community, for its part, has an interest in maintaining the present state of good relations it has with New Zealand, a country which continues to look to Europe for guidance. New Zealand was, in particular, a cooperative partner during the MTNs and future GATT arrangements relating to dairy products will be a matter of close concern to both partners. The pattern of trade with New Zealand is reciprocal; the Community is New Zealand's largest supplier, providing 27% of New Zealand's imports.

3. The aim of the proposed amendment to Regulation (EEC) No 1655/76 is to adjust the existing arrangements for 1980 by replacing the cif price and the variable special levy with a levy which would normally remain unchanged throughout 1980, in order to avoid the disadvantages resulting from the fluctuations of the level of the special levy and to enable New Zealand to plan its supplies more efficiently.
4. The Commission takes the view that in conjunction with the proposed amendments to Regulation (EEC) No 1655/76 the quantities of butter imported into the United Kingdom should be reduced by 20 000 tons before the end of 1980 under a gentlemen's agreement with the New Zealand authorities.
5. For the purposes of the calculation of the special levy to be applied, account is taken of the reduction mentioned in 4 above, of the level of the intervention price for Community butter, of the net New Zealand income from butter sales in the United Kingdom and of the increase in costs since the last fixing of the cif price by Council Regulation (EEC) No 2157/77².

It should be possible to alter the rate of the special levy in exceptional cases. With regard to 1980, the levy should be adjusted if the level of the aid for the direct consumption of butter granted in the United Kingdom is altered.

6. The second proposal for a Regulation concerns the arrangements for the import of New Zealand butter on special terms after 31 December 1980.

² OJ No L 250, 30.9.1977, p. 12

This proposal includes the possibility of importing New Zealand butter into the whole Community from 1 January 1981 onwards, a lower annual quantity, subject to a modest scale of reduction during the early years, and the retention of the new import arrangements without cif prices and with a special levy, which will normally remain unchanged.

In order to avoid disturbances on the Community market and to ensure that any unforeseeable developments in the future situation on the butter market can be coped with, provision is made for the adjustment of the quantities of New Zealand butter which may be imported.

7. Finally, it is to be noted that the adoption of these proposals will strengthen the opportunities for continued collaboration between the Community and New Zealand, the two major partners in international trade in dairy products, with the objective of promoting, in their mutual interest, an orderly operation of world markets. The Community is also mindful of the need for New Zealand to continue its efforts to diversify its economy and exports, it being understood that both parties for its part will strive to pursue a commercial policy which does not run counter to this purpose. The Community has played the major role in providing a market for New Zealand's butter, in view of the absence of effective opportunities for this product in the protected markets of other developed countries such as the United States and Japan. The Community is ready to continue this role taking account also of the wider interest of political co-operation with New Zealand but it is clear that a reduction of protectionism in other developed countries in the dairy sector would be a highly desirable development in the interests both of the Community and New Zealand.

Draft Proposal
for a
COUNCIL REGULATION (EEC) No 179
of

amending Regulation (EEC) No 1655/76 extending the transitional
arrangements for the import of New Zealand butter into the
United Kingdom

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Act of Accession¹ and in particular Article 5(2) of Protocol No 18, hereinafter 'the Protocol',

Having regard to the proposal from the Commission,

Whereas, further to the Protocol Council Regulation (EEC) No 1655/76 of 29 June 1976 extending the transitional arrangements for the import of New Zealand butter into the United Kingdom² authorized the United Kingdom, as a transitional measure, to import certain quantities of New Zealand butter on special terms from 1978 to 1980; whereas, in accordance with these arrangements, a cif price is fixed observance of which must be guaranteed by New Zealand; whereas a special levy on imports of New Zealand butter into the United Kingdom is fixed at a level ensuring that the proposed quantities can be sold at a steady rate on the United Kingdom market without disturbing the balance of the Community butter market;

Whereas problems have arisen hampering implementation of these arrangements mainly because developments on the butter market in the United Kingdom cannot always be predicted and because adjustments to the special levy necessitated when stocks of New Zealand butter have already built up in the United Kingdom do not have an immediate effect;

Whereas, therefore, it appears appropriate to amend the existing arrangements by replacing the abovementioned cif price and the variable special levy with a special levy the rate of which will normally remain unchanged throughout 1980 in respect of the corresponding quantity specified in

¹OJ No L 73, 27. 3.1972, p. 5

²OJ No L 185, 9. 7.1976, p. 1

in Article 1(2) of Regulation (EEC) No 1655/76; whereas these adjustments should protect Community butter from the disadvantages which have so far resulted from the fluctuations in the special levy and enable New Zealand to plan more efficiently its supplies and sales in accordance with market developments; whereas the rate of the special levy fixed should be determined on the basis of the criteria now set out in Article 3(3) of Regulation (EEC) No 1655/76;

Whereas the level of the special levy takes account of the aid of 45.94 ECU per 100 kg granted in the United Kingdom for butter of Community origin for direct consumption under Council Regulation (EEC) No 1269/79³, as amended by Council Regulation (EEC) No 1768/79⁴; whereas in order to prevent New Zealand butter subject only to this special levy from being put to industrial uses at a lower price level than that which must be paid for butter of Community origin used for the same purpose, provision should be made to ensure that the New Zealand butter in question can be used only for direct consumption; whereas the amount of the special levy must be adjusted if, for example, the abovementioned aid is altered;

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 1655/76 is hereby amended as follows:

1. The text of Articles 2 to 5 shall be replaced by the following:

"Article 2

1. A special levy shall be applied to imports into the United Kingdom of the quantities of butter specified in Article 1(2).

³OJ No L 161, 29. 6.1979, p. 8

⁴OJ No L 203, 11. 8.1979, p. 1

2. For that quantity of New Zealand butter imported into the United Kingdom during 1980 not exceeding the quantity fixed in Article 1(2), the special levy shall be 51,37 ECU per 100 kg.

Article 3

1. In the event of a change in 1980 in the amount of the general aid specified in Article 2(2) of Regulation (EEC) No 1269/79, the amount of the special levy specified in Article 2(2) shall be adjusted accordingly.
2. The amount of the special levy may also be adjusted by the Council, acting by a qualified majority on a proposal from the Commission, when other Community measures substantially modify the conditions under which butter is marketed.

Article 4

The special levy charged shall be that obtaining on the day of importation into the United Kingdom.

Article 5

Only butter which has been proved to be of New Zealand origin may benefit from the special arrangements set out in Article 1."

2. The text of Article 7 shall be replaced by the following:

"Article 7

The United Kingdom shall take all measures necessary to ensure that the New Zealand butter imported subject to the levy fixed in Article 2(2) is not used for processing but exclusively for direct consumption, within the meaning of Article 1(a) of Regulation (EEC) No 1269/79, in the United Kingdom."

3. The text of Article 8 shall be replaced by the following:

"Article 8

Detailed rules for the application of this Regulation shall be adopted in accordance with the procedure laid down in Article 30 of Regulation (EEC) No 804/68."

Article 2

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities.

The Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

proposal for a
COUNCIL REGULATION (EEC)

relating to the importation of New Zealand butter into the
Community on special terms

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Regulation (EEC) No 804/68 of 27 June 1968 on the common organization of the market in milk and milk products¹, as last amended by Regulation (EEC) No 1761/78², and in particular Article 14(6) and Article 19(2) thereof,

Having regard to the Opinion of the European Parliament³,

Whereas Protocol 18 annexed to the Act of Accession⁴, and subsequently Council Regulation (EEC) No 1655/76 of 29 June 1976 concerning the transitional arrangements for the import of New Zealand butter into the United Kingdom⁵ as amended by Regulation (EEC) No 179⁶, have authorized the United Kingdom to import annually until the end of 1980 certain quantities of New Zealand butter on special terms;

Whereas under Article 33 of Regulation (EEC) No 804/68 the common organization of the market in milk and milk products must take account of the objectives set out in Article 110 of the Treaty; whereas in order to contribute, in accordance with the common interest, to the harmonious development of world trade, arrangements should be made to enable New Zealand butter to be imported into the Community on special terms.

¹ OJ No L 148, 28. 6.1968, p. 13

² OJ No L 204, 28. 7.1978, p. 6

³ OJ No C

⁴ OJ No L 73, 27. 3.1972, p. 5

⁵ OJ No L 185, 9. 7.1976, p. 1

⁶ OJ No L

Whereas the new arrangements must include measures to prevent the balance of the Community butter market from being disturbed; whereas, therefore, the import on special terms of New Zealand butter into all the Member States and its free circulation in the Community must be made possible and the quantities of New Zealand butter imported annually under these arrangements must be fixed on a degressive scale, subject to their adjustment in the case of any substantial and unforeseeable change in the situation on the world market and in the Community;

Whereas a special levy which will normally remain unchanged is the most appropriate method of protecting Community butter from the disadvantages resulting from the frequent fluctuations of its level and of enabling New Zealand to plan on a reasonable basis its exports to the Community in line with market developments;

Whereas, following the extension to the Community as a whole of the special import arrangements for New Zealand butter, the amount of the special levy can no longer take account of the aid provided for in Council Regulation (EEC) No 1269/79⁷, as amended by Regulation (EEC) No 1768/79⁸, because the amount of this aid varies from one Member State to another; whereas, therefore, the limitation of Community financing in this aid for butter of Community origin should be abolished with effect from 1 January 1981;

HAS ADOPTED THIS REGULATION:

Article 1

Under the terms set out in this Regulation New Zealand butter may be imported into the Community subject to a special levy.

⁷OJ No L 161, 29. 6.1979, p. 8
⁸OJ No L 203, 11. 8.1979, p. 1

Article 2

1. The quantity which may be the subject of the special import arrangements shall be metric tonnes per calendar year.

However, the annual quantity shall be:

1981:	metric tonnes
1982:	metric tonnes
1983:	metric tonnes
1984:	metric tonnes.

2. The quantities specified in paragraph 1 may be altered by the Council, acting by a qualified majority on a proposal from the Commission, in view in particular of the development of the situation on the Community butter market and the development of the world butter market.
3. During a given year, the annual quantities specified in paragraph 1 may, in accordance with the procedure referred to in paragraph 2, be temporarily reduced in order to prevent serious disturbances on the butter market in the Community, in particular should there be a substantial and unexpected drop in the direct consumption of butter in the Community or in those of its regions where New Zealand butter is mainly marketed.

Article 3

1. The special levy applicable to New Zealand butter imported under this Regulation shall be 69,51 ECU per 100 kg.
2. However, the rate of the special levy may be adjusted by the Council, acting by a qualified majority on a proposal from the Commission, whenever other Community measures alter to any substantial degree the conditions under which butter is marketed in the Community or in those of its regions where New Zealand butter is mainly marketed.

Article 4

Entry under the special import arrangements shall be conditional on the presentation of a certificate showing that the butter concerned is

- of New Zealand origin
- six weeks old at least, with a fat content by weight of at least 80% and less than 82%, and manufactured directly from milk or milk cream.

Article 5

Imports of New Zealand butter shall be subject to the provisions adopted under Regulation (EEC) No 974/71⁹ as last amended by Regulation (EEC) No 987/79¹⁰ with regard to the fluctuations of the currencies of certain Member States.

Article 6

Detailed rules for the application of this Regulation shall be adopted in accordance with the procedure provided for in Article 30 of Regulation (EEC) No 804/68. They shall provide in particular for control measures to ensure observance of the quantities specified in Article 2.

Article 7

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities. It shall apply from 1 January 1981.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council

⁹OJ No L 106, 12. 5.1971, p. 1
¹⁰OJ No L 123, 19. 5.1979, p. 9

1. Calculations are based on the following assumptions:

- a) by applying the normal levy, imports of N.Z. butter would be nil; therefore, revenue nil;
- b) by applying a special levy, there would be imports of N.Z. butter within the quantity limits; therefore, revenue from the levy but, on the other hand, it is necessary to find markets for a corresponding quantity of Community butter.

2. Calculation of revenue in the form of levies:

- 1981 97 500 t X 695.1 ECU/t = 67.8 MECU = 69.2 MEUA
- 1982 95 000 t X 695.1 ECU/t = 66.0 MECU = 67.3 MEUA
- 1983 92 500 t X 695.1 ECU/t = 64.3 MECU = 65.6 MEUA

3) Calculation of the cost of disposing of corresponding quantities of Community butter:

- 1981 97 500 t X 1630 ECU/t⁽¹⁾ = 158.9 MECU = 162.1 MEUA
- 1982 95 000 t X 1630 ECU/t = 154.9 MECU = 158.0 MEUA
- 1983 92 500 t X 1630 ECU/t = 150.8 MECU = 153.8 MEUA

4. As regards 1980, it is proposed, in relation to existing rules, both to reduce imports of N.Z. butter by 20,000 t and, also, to reduce the special levy by 836.8 ECU/t to 513.7 ECU/t

These proposals will have the following consequences:

A. Lost revenue

115,000 t (former level) - 20,000 t (proposed production) - 33,000 t
(already imported this year)
= 62,000 t X 323,1 ECU/t (difference between 836.8 and 513.7)
= - 20.0 MECU = -20.3 MEUA

B. Reduction in expenditure

- 1) 20,000 t (corresponding reduction in the case of exports) X 1630 ECU
(export refund)
= 32.6 MECU = 33.1 MEUA
 - 2) 20,000 X 459.4 MECU/t (subsidy to be paid to Community butter)
= - 9.2 MECU = - 9.4 MEUA
- Reduction in expenditure : 33.1 - 9.4 = 23.7 MEUA.

(1) The amount of 1630 ECU/t corresponds to the average cost of disposing of butter surpluses.

REPORT FROM THE COMMISSION TO THE COUNCIL,
ON THE IMPLEMENTATION OF REGULATION (EEC) No 1655/76 EXTENDING THE
TRANSITIONAL ARRANGEMENTS FOR THE IMPORT OF NEW ZEALAND BUTTER
INTO THE UNITED KINGDOM DURING THE YEAR 1978

I. INTRODUCTION

1. Pursuant to Article 7 of the Council Regulation No 1655/76⁽¹⁾ this report describes the conditions under which the import of New Zealand butter into the United Kingdom during the calendar year 1978 has been administered.

II. QUANTITATIVE ASPECTS

2. In accordance with Article 1 (1) and (2) of Regulation (EEC) No 1655/76, the United Kingdom was authorized to import from New Zealand, 125,000 tonnes of butter during the calendar year 1978.
3. The total quantity of New Zealand butter actually imported (debonded) during 1978 was 124,971 tonnes.
4. On 1 January 1978, the stock of New Zealand butter (debonded) in the United Kingdom amounted to 67,528 tonnes.

ation (EEC) No 1655/76 of the Council of 29 June 1976 extending the transitional
gements for the import of New Zealand butter into the United Kingdom (O.J. L 185,
976, p. 1)

.../...

5. The total quantity of New Zealand butter sold on the United Kingdom market in 1978 was 134,686 tonnes. (1977 : 115,472 tonnes)
6. On 31 December 1978, the carryover stock of New Zealand butter (debonded) in the United Kingdom amounted to 57,804 tonnes. (31 December 1977 : 67531 tonnes)
7. Butter production in the United Kingdom during 1978 further increased to about 162,000 tonnes (1977 : 134,000 tonnes) See Annex I.
8. Total offtake of butter on the British market during 1978 is estimated at 414,000 tonnes (1977 : 428,000 tonnes) See Annex I.
9. Imports of butter from member states further declined from 189,000 tonnes in 1977 to 173,000 tonnes in 1978 (See Annexes I and II)
10. Although total U.K. imports in 1978 were below the 1977 level total butter stocks held in cold stores in the United Kingdom increased from 127,000 tonnes at the beginning of 1978 to 129,000 tonnes at the end of that year.
11. The 1978 closing stocks of New Zealand butter (57,804 t) were 14.4% lower than the opening stock (67,528 t). This reduction was possible because the sales during 1978 were 7.8% higher than the quantity imported.
12. In 1977 and 1978 the percentage shares of New Zealand butter on the U.K. market were 26.9 and 33.3 respectively.

13. During 1978 the butter share of the yellow fats market decreased from about 57.1% to about 52.8%; meanwhile the market share of margarine increased during the same period from 42.9% to 46.4%.
14. During 1978, the U.K. exported a significant quantity of almost 56,000 tonnes (compared with 11,000 t during 1977), of which 48,862 tonnes went to member countries. The main reason for this development was the relatively low level of market prices in the U.K. compared with that in other member states, where the market price is more closely related to the intervention price level. (See Annex I)

III. Butter Prices and the fixing of the special levy

15. The special levies during 1978 were fixed taking into account the following factors:

(a) the C.I.F. price which was fixed at 117.88 ua/100 kg from 1.10.77 (unchanged during 1978)

(b) on-costs up the first point of sale

These costs comprise the following:

	<u>£/long ton</u>
(i) landing, handling and 1 week storage :	12.63
(ii) 20.25 additional weeks storage :	14.84
(iii) Insurance :	<u>0.45</u>
Total (i + ii + iii) :	<u>27.92</u>
(iv) Commission at 0.8333% of the 'bulk' selling price	
(v) London Provision exchange (L.P.E.) discount at 0.8333% of 'bulk' selling price.	

During 1978 these cost figures remained unchanged

16. The special levies were established taking into account the anticipated evolution of market prices for butter; the levy rates and the quantities imported at each rate are shown below. Further details are given in Annex III

	<u>Levy (u.a./100kg)</u>	<u>Tonnes</u>
Applicable from 1 January	103.86	6365.8
" " 1 March	123.41 ⁽¹⁾	-
" " 5 June	80.66	44551.7
" " 28 July	94.47	9322.7
" " 4 October	100.54	3380.8
" " 1 November	81.00 ⁽²⁾	17000.0
" " 23 November	106.64	<u>44350.0</u>
		<u>124971.0</u>
		=====

(1) No butter was debonded at this levy rate.

(2) Debondings at this special levy rate were limited by agreement to 17,000 tonnes directly related to the short term subsidy given to Community butter sold in the U.K. under Council Regulation 2574/78.

During 1978, the levy applicable to butter imported into the Community, from sources other than New Zealand, ranged from 186.5 to 196.55 ua/100 kg.

17. The strong variations in the rate of the levy fixed during 1978 again demonstrate the difficulty in determining the levy rate in the light of expectations on future market price developments. The New Zealand Dairy Board (NZDB) (sole importer and exporter of New Zealand butter) does not always debond butter on arrival in the U.K. Consequently, throughout the year, particularly during the winter months when the N.Z.D.B. lands the major part of the entitlement, non-debonded stocks may reach significant levels. The N.Z.D.B. decides if, when and how much butter should be debonded in the light of developments, both actual and expected in the rate of the special levy. Debonding can be an administrative act as no physical movement of the butter is necessarily involved.

18. Approximately 25,000 tonnes of the 1978 opening stock of 67,528 tonnes of New Zealand butter, was debonded in 1977 at a levy rate of 70.67 u.a. ; the remainder (42,500 tonnes) at 79.39 ua/100 kg.

As a consequence, the calculated selling price for NZ butter (packeted first hand selling price) could be kept at 1225 £/lt from the beginning of 1978 until 6 March 1978 after which the price increased to 1277 £/lt and remained at that level until mid-June 1978. Only then were the quantities imported during 1977 actually sold. (See Annex IV).

19. During November and December 1977 about 48,000 tonnes of butter were imported into the U.K. from other EEC countries in order to benefit from the last alignment of the intervention price level in the U.K. On 1 January 1978 (from 205.45 ua to 230.95 ua/100 kg.)

20. U.K. public cold store stocks at the start of 1978 were estimated at 126,000 tonnes. It is clear that an opening stock of 184,000 tonnes (including N.Z. butter stock) together with the increase in U.K. butter production and a reduction in consumption have had a depressive effect on the market prices throughout the year 1978. In practice the selling price for home produced butter (Country Life) as well as for most of the other butters, remained below the intervention price level (which increased on 22.5.78 to 235.72 ua) for the duration of 1978.

21. From 5th June, the selling price for N.Z. butter was increased by £123/lt to £1413.44/lt, reflecting the levy of 103.86 u.a. paid on 6366 tonnes of butter debonded during January and February.
22. In view of the price proposals for the 1978/79 milk campaign and the possibility of a change in the "green rate" the special levy was increased on 1 March to 123.41 u.a./100 kg. Since this levy was of a provisional nature, no N.Z. butter was debonded until 5 June, when the levy was re-fixed at 80.66 u.a. Immediately thereafter, a quantity of 44.552 tonnes of N.Z. butter was debonded, the calculated selling price

for which was about 1400 £/lt (packeted). It is estimated that this quantity of 44,552 tonnes of butter was actually sold on the U.K. market during the period mid-July to mid-November at an average price level of £1425/lt.

23. On 28 July the special levy was increased to 94.47 u.a./100 kg to reflect once more the development of butter prices on the U.K. market. The prices of Community butter on the U.K. market were still about 100 £/lt below the intervention level of 1580 £/lt (packeted) but were consistently tending to increase.
24. On 4 October, the levy was again increased to 100.54 u.a. to bring the N.Z. selling price closer to the intervention price level.
25. The reduction of the levy on 1 November 1978 to 81 u.a./100 kg has to be seen in the light of the subsidy for Community butter which was introduced as a special measure (Regulation (EEC) 2574/78) to increase consumption. In the U.K. market the short-term subsidy of 20 u.a./100 kg (£128.88/lt) applied to a quantity of 51,025 tonnes. For N.Z. butter the impact of the subsidy was limited to 17000 tonnes which were sold after the 44 552 tonnes debonded at 80.66 u.a./100 kg.
26. Since the levy change associated with the debonding of the 17 000 tonnes did not necessitate any change in the actual selling price, it therefore remained at £1427/lt up to the end of the year.
27. On 23 November, after the 17 000 tonnes were debonded, the special levy was increased to 106.64 u.a./100 kg, corresponding to a selling price for N.Z. butter equal to the intervention level (1580£/lt packets).
28. The 1978 closing stock of N.Z. butter is estimated to have comprised the following quantities each debonded at the levy rate as indicated:

<u>Quantity (tonnes)</u>	<u>Levy rate (u.a./100 kg)</u>
9323	94.47
3381	100.54
44350	106.64
<u>750</u>	various
57804 (closing stock)	

29. It is evident from the foregoing account of the development of the 1978 UK butter market that there are weaknesses in the present framework. While accepting that prices for N.Z. butter and Community butter do influence each other, it is not possible to establish the levy for N.Z. butter based on the Intervention price without having due regard to the actual market prices.

30. During 1978 the selling prices were increased by about
162 £/lt. for British butter
202 £/lt for N.Z. butter
226 £/lt for Danish butter (Lurpak)

The subsidies paid in the U.K. for direct consumption of butter were 33 ua/100 kg £193.79 / lt (starting on 16/9/77)

33 ua/100 kg £196.70 /lt (" " 1/4/78)

28 ua/100 kg £180.42 /lt (" " 22/5/78)

23 ua/100 kg £148.20 /lt (" " 1/7/78 and valid until 31/12/78)

31. Even with the butter subsidies, consumer prices increased from about 48 p/lb in the beginning of 1978 to 69 p/lb at the end of the year whereas the prices for margarine remained more or less stable at about 30.5 p/lb. It is likely that these factors contributed in large part to the reduction in U.K. butter consumption by 3.3% during 1978.

IV. Decisions on the level of the CIF price

32. Since the first application of Protocol 18 the CIF price for N.Z. butter has been fixed as follows:-

1 Feb. 1973	:	76.96 ua/100 kg	
1 Jan. 1975	:	90.81 "	(+ 18%)
1 Jan. 1976	:	107.16 "	(+ 18%)
1 Oct. 1977	:	117.88 "	(+ 10%)

The CIF price of 117,88 ua/100 kg corresponds to just half of the intervention price for butter in the Community applicable since 22 May 1978 (of 235,72 ua). On the basis of the average rate of the US dollar during 1978 (1 U.S. dollar = 0,65216 ua) the CIF price corresponds to about 1800 U.S. dollars per tonne, compared with an average price level on the world market of about 1100- 1200 U.S. dollars per tonne fob during 1978.

33. In accordance with article 2 of Regulation (EEC) no 1655/76 the CIF price shall, on the basis of a periodical review, be adjusted as necessary having regard to the supply and demand developments in the major producing and consuming countries of the world, and also to the level and evolution of prices in the Community - including intervention prices - and in New Zealand, taking into account, moreover, cost developments in New Zealand and trends in freight charges.
34. On 20 June 1978 the New Zealand authorities submitted detailed figures on the cost developments in New Zealand during the reference period 1 July 1977 to 30 June 1978. The weighted average increase of these costs was calculated to be 15,61%.
35. During the same reference period the Council increased the Community price level by about 2% which was below the increased costs in the different member countries.

V. Diversification of the N.Z. Dairy product production and of exports of such products

36. Drought conditions in the second half of the New Zealand milk season (ending June) 1977/1978 caused an overall decrease in the amount of milk for processing in 1979, (- 8.8 % compared with the previous season). This was reflected in a decreased production of butter, cheese and butteroil (- 14 % ; - 3 % and - 3 % respectively).
37. During 1978 exports of butter declined by 7% to 153,878 tonnes. The U.K. remained the most important market taking 126,501 tonnes or 82.2% of total exports.

Exports of butter to Japan were negligible due to domestic stocks and static demand. The Japanese government has given no firm indication of when butter imports might again be authorized. During 1978, New Zealand exported butter for the first time to China - 2,205 tonnes were shipped in January and 3,000 tonnes in December.

Total sales to the USSR were 4,000 tonnes and were shipped in November 1978. The Middle East markets continued to take small quantities of NZ butter but the trade to the Caribbean was reduced because of increased imports from the Community.

38. Exports of butteroil from N.Z. showed a substantial reduction of 20.2% (1978 over 1977). The bulk of butteroil exported went to South East Asia and Latin America where it is used in recombining plants.

The N.Z. trade in butteroil is dependent on the development of recombining industries in developing countries. Recently, the rate of growth appears to have declined.

39. Cheese exports from N.Z. declined from 73 350 in 1977 to 58 592 tonnes in 1978 reflecting the cessation of access to the U.K. At the end of 1977, Japan was the major market taking 39% of total exports.

Exports to N.Z.'s second largest market, the United States, increased from 15,133 to 18,464 tonnes. This growth, in part, resulted from a re-allocation of import licences which formerly comprised part of the non-utilised Community quota on that market.

40. Skimmed milk powder exports showed a reduction of 22% (1977 : 167,178 t; 1978 : 130,717 t.). Significant quantities were exported to Philippines (27,882 t) Malaysia (22,237 t) Indonesia (18,549 t) Peru (13,984 t) and Japan (11,373 t).
41. Whole milk powder exports decreased somewhat. (1977 : 65,785 ; 1978 : 62,160 tonnes). The main exports were to Malaysia (12,123 tonnes) and Sri Lanka (9,014 tonnes). Casein and Caseinate exports during 1978 were also less than in 1977. (1977 : 73,488 t; 1978 : 63,485 tonnes). During 1978 about 9,000 tonnes of Casein/Caseinates were exported to the Community.

VI. CONCLUSIONS

42. The foregoing demonstrates that the management of the transitional arrangement for the import of New Zealand butter into the United Kingdom in 1978 was just as difficult as it was in 1977. This was again due to unforeseeable fluctuations in the U.K. butter market and to the system itself. As a consequence, the N.Z. sales were uneven throughout the year with a relatively high market share towards the end of the year. Nevertheless the entitlement for 1978 was fully utilized and total sales were above the entitlement reducing the carryover stock at the end of 1978.
43. The Commission is of the opinion that changes on the operation of the arrangement should be made as soon as possible, particularly in the light of its concern about the effect of the arrangement on the development of the market for butter of Community origin.

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and prices during 1978.

DEVELOPMENT OF BUTTER PRODUCTION, CONSUMPTION AND TRADE
IN THE UNITED KINGDOM

ANNEX I

1 000 tonnes

	1973	1974	1975	1976	1977	1978
Milk Production (a)	14,241	13,836	13,815	14,302	15,098	15,831
Milk Deliveries	13,705	13,311	13,329	13,838	14,598	15,317
Deliveries as % of production	96.2	96.2	96.5	96.8	96.7	96.8
Butter production (b)	97	54	48	90	134	162
Total imports of which (c)	318	445	475	404	327	298
EEC	186	326	364	275	189	173
New Zealand	132	119	111	129	138	125
Total Exports	16	3	3	16	11	56
Consumption: (d)						
Household/Catering	409	445	462	441	410	396
Other (manufacturing)	24	18	24	18	18	18
Total Disappearance	433	463	486	459	428	414

(a) Excludes beef-cows' milk production

(b) Includes farmhouse production

(c) Includes butteroil equivalent

(d) Takes into account stock changes

Source: MAFF

1978 UNITED KINGDOM BUTTER IMPORTS PER MONTH FROM
OTHER EEC MEMBER STATES

ANNEX II

IMPORTS INTO U.K.	JAN.	FEB.	MAR.	APR.	MAY.	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL 78
of which EEC FRANCE	403	106	724	1201	841	57	92	642	541	108	461	706	5882
BELGIUM/LUX	741	665	1046	562	412	136	151	118	132	116	82	68	4229
NETHERLANDS	13 392	2 098	548	7395	9828	98	149	211	332	501	3366	1096	39014
WEST GERMANY	5 132	198	1971	2794	2140	321	266	228	168	52	298	713	14281
ITALY	-	-	-	-	-	-	-	-	-	-	-	-	-
IRELAND	7 048	2 314	6743	13359	1244	1035	3379	1867	2599	2829	6869	588	49874
DENMARK	5 341	1 698	6310	7645	8600	5580	3821	3713	3212	3805	3956	5585	59296
TOTAL EEC	32 057	7 079	17342	32956	23065	7227	7858	6779	6984	7411	15062	8756	172576

SOURCE : MAFF

ANNEX III

1978 UNITED KINGDOM FORTNIGHTLY ARRIVALS, DEBONDINGS
AND SALES OF NEW ZEALAND BUTTER

FORTNIGHT ENDING	BUTTER				
	ARRIVALS			DEBONDED FROM STOCK	SALES
	TOTAL	BONDED	DEBONDED ON ARRIVAL		
14.1	5,040	5,040	-	-	1,759
28.1	402	-	402	5,040	6,626
11.2	504	-	504	-	6,995
25.2	420	-	420	-	6,369
11.3	7,627	7,627	-	-	6,231
25.3	8,910	8,910	-	-	4,595
8.4	11,111	11,111	-	-	4,979
22.4	4,170	4,170	-	-	6,897
6.5	3,523	3,523	-	-	5,213
20.5	-	-	-	-	5,775
3.6	4,545	4,545	-	-	4,609
17.6	3,497	-	3,497	39,886	3,392
1.7	571	-	571	-	3,946
15.7	622	-	622	-	3,026
29.7	-	-	-	-	3,412
12.8	3,394	3,394	-	-	3,384
26.8	-	-	-	-	3,988
9.9	1,935	1,935	-	-	4,510
23.9	-	-	-	168	5,124
7.10	3,998	-	3,998	5,161	6,266
21.10	-	-	-	-	6,532
4.11	9,584	-	9,584	-	5,663
18.11	16,996	7,778	9,218	-	6,363
2.12	8,031	4,873	3,158	12,651	6,307
16.12	12,180	-	12,180	-	6,031
31.12	17,940	-	17,940	-	3,644
	125,000	62,906	62,094 (1)	62,906	134,686
			Total = 124,971		

(1) Due to short landings on arrivals of shipments only 124,971 tonnes were effectively debonded.

Source : MAFF

ANNEX IV

DEVELOPMENT OF NEW ZEALAND BUTTER SALES AND PRICES DURING 1978

Week		Sales per week (tonnes)	Levy rate applicable to sales (ua/100 kg)	Calculated selling price appropriate to levy (t/lt, packeted)	Actual list selling price (t/lt packeted)	
No.	ending				Anchor (NZ)	Country Life (UK)
1	7/1	1700	70.67	1225	1225	1260
2	14/1	3059				
3	21/1	3520				
4	28/1	3106				1305
5	4/2	3238				
6	11/2	3758				
7	18/2	3344				
8	25/2	3025				
9	4/3	3648	79.39	1277	1278	
10	11/3	2633				
11	18/3	2362				
12	25/3	2234				
13	1/4	2287				1347.5
14	8/4	2691				
15	15/4	3314				
16	22/4	3583				
17	29/4	2787				1392.3
18	6/5	2426				
19	13/5	2930				
20	20/5	2845				
21	27/5	2820				
22	3/6	1789			1413	1437
23	10/6	1764				
24	17/6	1627				
25	21/6	1775	103.86	1423		
26	1/7	2172				1459
27	8/7	1421				
28	15/7	1605			1425	1482
29	22/7	1703	80.66	1400		
30	29/7	1709				
31	2/8	1560				
32	12/8	1824				
33	19/8	1702				

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DEVELOPMENT OF NEW ZEALAND BUTTER SALES AND PRICES DURING 1978 - (cont.d)

Week		Sales per week (tonnes)	Levy rate applicable to sales (per 100 kg)	Calculated selling price appropriate to levy (t/lt packaged)	Actual List selling price (t/lt, packaged)	
No.	ending				Anchor (NZ)	(Country Life)
34	26/8	2285	80.66	1400	1425	1512
35	2/9	2067	↓	↓	↓	↓
36	9/9	2443	↓	↓	↓	↓
37	16/9	2512	↓	↓	↓	↓
38	23/9	2112	↓	↓	↓	1552
39	30/9	2980	↓	↓	↓	↓
40	7/10	3286	↓	↓	↓	↓
41	14/10	3388	↓	↓	↓	↓
42	21/10	3144	↓	↓	↓	1583
43	28/10	2972	↓	↓	↓	↓
44	4/11	2691	↓	↓	1427	↓
45	11/11	2908	↓	↓	↓	↓
46	18/11	3455	↓	↓	↓	↓
47	25/11	3203	81.00	1413	↓	↓
48	2/12	3105	↓	↓	↓	1622
49	9/12	3164	↓	↓	↓	↓
50	16/12	2867	↓	↓	↓	↓
51	23/12	2362	↓	↓	↓	↓
52	30/12	1282	↓	↓	↓	↓