1. The Expert Group, established by the Working Party, met on 16 and 17 October in order to discuss the technical aspects of the joint New Zealand-Australian proposal (Spec(69)108).

2. The Group examined the various implications of the price provisions of the joint proposal as regards the products covered by it. From the discussions it appeared that a certain number of difficulties existed as regards the choice of approach that could be adopted for the products as a whole. However, the view seemed to emerge that a solution was more likely to be found by adopting an approach that might differ according to the product or products concerned.

3. The suggestion that for skim milk powder consideration should be given to a pure f.o.b. system met with a fairly wide measure of support. Such a system would not involve zoning and would have the great advantage of simplicity. In the view of some members, however, the implications of such a scheme, in particular as regards their effect on markets, needed to be examined without delay in order to enable these members to take a position. Other members expressed the view that it might be possible to put such a scheme into operation with the safeguard that its effects could be reviewed after a short period so that, if it were found that it had placed any members at a disadvantage, the necessary steps to offset this might be taken.

4. The Group also examined the implications of the joint proposal as regards butter and anhydrous butterfats. In the discussion, the suggestion was made that in this field, too, a pure f.o.b. system might be considered. However, while this suggestion found some support, several members felt that the effects of such a system on their trading position would require careful further examination.

5. It seemed to the Group that the most expeditious approach would be to continue the negotiations on skim milk powder forthwith. Negotiations on the other two products could subsequently be undertaken in the light of the results of the negotiations on skimmed milk powder.

6. The Group also examined the question of differentiation between skim milk powder for human consumption and for other uses. The feasibility and practicability of various methods were discussed, as well as the desirability of differentiation. There was a wide measure of agreement that no single method would provide a system that would absolutely prevent the diversion to human consumption of powder allegedly destined for other uses. It would appear that any system that would effectively prevent the disruption of an arrangement would have to consist of a combination of measures. Such measures might, among others, include a labelling scheme such as described in the joint proposal, and assurances by individual countries as to the final use of imported skim milk powder. The Group has so far not reached agreement on this question.