Arrangement Concerning Certain Dairy Products

MANAGEMENT COMMITTEE

Minutes of the First Meeting, Held on
14 May 1970

Introduction

1. The Management Committee, established under paragraph 1 of Article VII of the Arrangement Concerning Certain Dairy Products, held its first meeting on 14 May 1970, following the entry into force of the Arrangement at noon of that day.

2. The membership of the Committee was as follows:

- Australia
- Canada
- Denmark
- European Economic Community and its member States
- Japan
- New Zealand
- South Africa
- United Kingdom

3. The Committee had the following agenda before it:

(a) Election of Chairman
(b) Participation of observers
(c) Danish import system for skimmed milk powder for animal feed
(d) Japanese import system for skimmed milk powder for animal feed
(e) Skimmed milk powder for welfare purposes in Japan
(f) South African import system for skimmed milk powder for animal feed
(g) Spanish import system for skimmed milk powder for animal feed
(h) Establishment of register of processes and control measures
(i) Information required by the Committee under Article IV or other Articles of the Arrangement
(j) Other business
Election of Chairman

4. The Committee agreed that some further time was needed to take a decision on this item. It invited the Secretariat to chair the Committee pending a further decision.

Participation of observers

5. The Committee invited the Governments of Austria, Ireland and the United States to take part in the work of the Committee as observers. It was, however, understood that the Committee might sometimes deem it necessary to restrict its meetings to members only.

Danish import system for skimmed milk powder for animal feed

6. The Committee took note of the information submitted by the delegation of Denmark concerning the control measures to be applied to skimmed milk powder imported for purposes of animal feed (INT(70)48). The Committee approved these measures and agreed to record them in the Register of Processes and Control Measures, in accordance with paragraph 5 of Article III of the Arrangement.

Japanese import system for skimmed milk powder for animal feed

7. The Committee took note of the information submitted by the delegation of Japan concerning the control measures applied to skimmed milk powder imported for purposes of animal feed (INT(70)46). The Committee approved these measures and agreed to record them in the Register of Processes and Control Measures, in accordance with paragraph 5 of Article III of the Arrangement.

Skimmed milk powder for welfare purposes in Japan

8. The Committee considered a request by the Government of Japan for a derogation under Article III, from the provisions of paragraph 9 of Article III. For this purpose the Committee had before it a communication from the delegation of Japan (INT(70)81) concerning school lunch and welfare programmes in that country. The representative of Japan stated that a derogation in the context of paragraph 9 of Article III of the Arrangement did not necessarily mean that Japan could or would import skimmed milk powder for these programmes at a price below the minimum price. The purpose of the request for a derogation was to give the Japanese Government an opportunity to import below the minimum price when such a commercial transaction could be concluded. It was the intention of Japan to import about 14,000 tons of skimmed milk powder for these programmes during the fiscal year 1970.

9. In reply to questions the representative of Japan stated that his Government was attempting to conclude its import transactions with traditional suppliers who were also participants to the Arrangement. It was, however, possible that a small
portion of the envisaged 14,000 tons of skimmed milk powder would be imported from a traditional exporter who, while not a fully-fledged member of the Committee, was nevertheless interested in its work and the operation of the Arrangement.

10. Some members, while appreciating the social aspects of the programmes and their rôle in increasing consumption, doubted that Japan, as a highly developed country, needed to obtain skimmed milk powder for these programmes at a price below the minimum. They therefore doubted the need for a derogation, but said they would not object to its granting if other members of the Committee agreed to it.

11. The Committee agreed to grant Japan a derogation under paragraph 5 of Article VII from the provisions of paragraph 9 of Article III on the following conditions:

(a) the derogation applies to fiscal year 1970/71;
(b) the derogation applies to imports into Japan for the school lunch and welfare programmes;
(c) the derogation applies to imports of up to a maximum of 14,000 metric tons in the said fiscal year;
(d) Japan shall report to the Committee on the implementation of the programmes and the import transactions effected thereunder;
(e) it is the wish of the Committee that Japan shall endeavour to limit its purchases of skimmed milk powder for the said programmes to participants to the Arrangement and to Japan's traditional suppliers.

12. The representative of Japan expressed his appreciation for the co-operative attitude of the members of the Committee and accepted the conditions of the derogation. He stated that he would convey to his Government the wish of the Committee and the observations made.

South African import system for skimmed milk powder for animal feed

13. The Committee considered a request by South Africa to place on the Register its control measures applied to imports of skimmed milk powder for animal feed (INT(70)30).

14. In reply to some questions the representative of South Africa explained that in his country imports of skimmed milk powder were prohibited under a Proclamation issued in the context of the South African Marketing Act, except when imported on the authority of a permit issued by the Department of Agricultural Economics and Marketing. In order to comply with the minimum price objectives as formulated in paragraph 1(a) of Article V of the Arrangement, the above-mentioned Proclamation...
could be amended so as to permit the issuance of such a permit on the condition that the imported product was subject to the minimum price of $20 per 100 kilograms. When clearing the goods through the customs the importer would be requested to submit the necessary documentation to the Department of Customs and Excise as proof that this minimum price requirement had been fulfilled. With regard to skimmed milk powder for purposes of animal feed it would also be possible to amend further the relevant Proclamation in order to provide for the importation of this product at prices below the minimum price.

15. At the present time there were no control measures at importation, but it was intended to introduce a sort of control in a form that permitted the importation of skimmed milk powder for purposes of animal feed. Manufacturers concerned would be required to submit an affidavit to the effect that the product would be used exclusively for animal feed and would not be sold in a form suitable for human consumption.

16. The representative of South Africa said that the control measures as set out in document INT(70)80 were in his view sufficient to ensure that imports intended for animal feed would not be diverted for human consumption. It was not yet decided what penalties would be imposed in case of abuse, but the necessary steps would certainly be taken to safeguard the provisions of the Arrangement.

17. Since the representative of South Africa had to consult his Government with regard to some other questions, it was agreed that this item would remain on the agenda and be dealt with at the next meeting of the Committee.

Spanish import system for skimmed milk powder for animal feed

18. The Committee considered a communication from the delegation of Canada regarding the control measures applied by the Government of Spain to skimmed milk powder for animal feed (INT(70)62).

19. The representative of Canada underlined the fact that skimmed milk powder imported in Spain for purposes of animal feed must be denatured before customs clearance and stated that according to Canada's experience this control system was precise and very thorough; it consisted of a double denaturing process involving the addition of alfalfa flour and also of a pink dye which acted as an extra safeguard against misuse. He considered the system fully acceptable and hoped it would be approved by the Committee and recorded in the Register, in accordance with paragraph 5 of Article III of the Arrangement.
20. The EEC raised the general question as to whether the Committee could accept the interpretation by one of its members of control measures for the importation of skimmed milk powder for animal feed applied by another country. Until a solution was found in the Committee to this question the EEC could not agree to the request made by the Government of Canada for a derogation where it concerned a control system applied by an importing country which was not a member of the Committee. Furthermore, as the importing country was not present in the Committee to describe its measures of import control, it would be difficult to find a solution. If a derogation were granted in these circumstances, it would be most important that the exporting country benefiting from this derogation should take all the necessary steps to ensure that skimmed milk powder should be denatured before exportation. The other problem was that if the Spanish control measures were found satisfactory and approved, other requests by other countries for derogations of the same kind would immediately follow and it would become extremely difficult to keep the arrangement under control. The EEC was, however, not in principle hostile to the request by Canada as was clearly demonstrated by the fact that it was prepared to accept that the Spanish control measures be placed on the Register if skimmed milk powder for animal feed were exported to Spain following denaturing in the country of exportation.

21. The delegations of the United Kingdom, Australia and New Zealand expressed the view, that although the concerns of the Community as to the general nature of the problem were certainly valid, the Spanish import control system as set out in document INT(76)62 was satisfactory to them. They, therefore, recommended that this system be put on the Register. The representative of New Zealand added that if it appeared that a control system, in this particular case that operated by Spain, had not worked satisfactorily, the Management Committee could always withdraw a derogation. Furthermore, participants to the agreement had undertaken to exchange information to follow closely the trade in skimmed milk powder for animal feed. New Zealand and other exporting participants would finally be anxious to ensure that the extent of the derogations for stock feed trade were kept to a minimum. This would, in his view, meet the concerns of the EEC to a large extent.

22. The representative of the United Kingdom stated that if the Management Committee deferred a decision on the point of principle raised by the EEC until the next meeting, there would be the problem that in the meantime exporters of denatured skimmed milk powder to Spain would not be permitted to sell at a price below the minimum price. He thought that there was sufficient agreement in the Committee to agree on an interim proposal to meet this situation.

23. The representative of Canada said that this was another issue and not on the agenda. The representative of the EEC explained that the Spanish market could easily be approached at a reasonable price in the circumstances. He did not see the urgency to agree on an interim proposal. Furthermore, the Committee had not yet agreed on a common method of denaturing.

24. Since no solution could be reached at this stage the Committee agreed to revert this issue to the next meeting.
Establishment of register of processes and control measures

25. The Committee agreed that before the next meeting members should inform the secretariat of the denaturing processes they wished the Committee to examine with a view to approving them and recording them in the Register.

Information required by the Committee under Article IV or other Articles of the Arrangement

26. It was agreed that the secretariat should submit, before the next meeting, a draft questionnaire regarding the information required by the Committee.

Other business

27. It was suggested that at its next meeting the Committee might consider establishing its rules of procedure. It was also suggested that the Committee should discuss the status of contracts concluded before the entering into force of the Arrangement. Furthermore, it was suggested that the market situation should be reviewed.

28. The Committee will meet again on 29 June 1970.