Introduction

1. The Management Committee held its ninth meeting on 25 June 1971. It welcomed Mr. Fernandez-Laguilhoat of the delegation of Spain, and Mr. Kaya of the delegation of Japan as new representatives in the Committee.

2. The Committee adopted the following agenda:
   1. Adoption of agenda.
   2. Adoption of the minutes of the eighth meeting (MCDP/9).
   3. Participation in the Arrangement.
   4. Status of contracts concluded before entry into force of new minimum price.
   5. Information required by the Committee under Article IV or other Articles of the Arrangement.
   6. Review of the market.
   7. Spanish import system for skimmed milk powder for use in animal feeding.
   8. Other business.

Adoption of the minutes of the eighth meeting

3. The representative of Japan considered that the words "informal consultations" in the penultimate line of paragraph 13 were of a somewhat ambiguous nature, and explained that what his predecessor had meant by them was that with a view to solving problems all possibilities should be exhausted within the framework of the Management Committee.

4. The Committee took note of this clarification and adopted the minutes MCDP/9.

Participation in the Arrangement

(a) Participation of Spain

5. The representative of Spain explained that his Government had signed the Arrangement Concerning Certain Dairy Products in January 1971. Due to a technical misunderstanding Spain had not been able to participate in the work of the Management
Committee. He expressed the wish of his Government as from now to contribute in
the work of the Committee to the fullest extent possible.

6. The Committee expressed its satisfaction at the participation of Spain in
the Arrangement.

(b) Participation of Switzerland

7. The Committee heard a statement by the representative of Switzerland, who
stated that his authorities had, a few days earlier, taken the decision to partici­
pate in the Arrangement and that they had charged him in his capacity of perma­
nent representative to the GATT Council to transmit a letter to the Director­
General informing him of this decision.

8. Wishing to describe the spirit in which his authorities intended to partici­
pate in the Arrangement, the representative of Switzerland stated, firstly, that
his authorities did not envisage having recourse to the provisions of paragraph 5
of Article III. At present his authorities did not have any formal means to make
a distinction between the two principal end-uses of skimmed milk powder imported
into Switzerland, as stipulated in that paragraph. However, should a tendency
appear to make a systematic differentiation in price levels of skimmed milk powder
according to its end-use, his authorities would have to reconsider their position
in this matter. Secondly, he assured the Committee that his authorities had, in
accord with the relevant sectors of the administration and of the economy, that
is to say the importers, taken all the necessary steps in view of a close
co-operation of Switzerland in the implementation of the Arrangement and in parti­
cular of the provisions of Articles IV (provision of information) and V
(co-operation of importing countries).

9. He recalled that as regards the product covered at present by the Arrangement,
Switzerland was essentially an importing country. However, as it also appeared on
the international market for dairy products as a whole as an exporting country,
his authorities considered that this type of Arrangement merited their support
because its objectives and its method of application corresponded to a conception
which had very great merits.

10. In reply to various questions the representative of Switzerland confirmed
that his reference to paragraph 5 of Article III did not imply any kind of reser­
vation, but only that his Government at this stage did not envisage making a
request for a derogation. He added that if a systematic price differentiation
was made as to the two end-uses of skimmed milk powder, his Government would
envisage submitting the problem to the Management Committee. It was, however, not
excluded that such a situation might also lead to a modification in the Swiss
regulations, in which case his Government would have to view the paragraph
concerned in a different light. He also explained that it was rather unlikely for
Switzerland to become a genuine exporter of skimmed milk powder in view of the
agricultural policy pursued by his Government. In conclusion he observed that the
wider the participation was in the Arrangement, the greater would be its efficiency.
11. The Committee expressed its satisfaction at the accession of Switzerland to the Arrangement and the explanations given by its representative, and welcomed Mr. Dunkel to the Management Committee.

Status of contracts concluded before entry into force of new minimum price

12. The representative of Australia stated there were no contracts outstanding below the new minimum price of US$25. The price level of US$22.4 indicated for April and May 1971 in MCDP/STAT/17 under heading D, regarded exports which had been authorized before 1 April 1971. He added that the arrangements between the Australian Dairy Board and the recombining plants in which Australia had an interest were supply arrangements at the prices prevailing at the time the exports took place.

13. The representatives of Denmark, Canada, New Zealand and the EEC confirmed that they had no contracts outstanding at prices below the new minimum price. The representative of the EEC added that at the beginning of 1971 sales were made at US$31-32 per 100 kgs. and, at present, at around US$48, without payment of restitutions.

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

14. The Committee took note of the statements of the EEC, South Africa and the United States that they would submit their information on the first quarter of 1971 as soon as possible.

15. The representatives of Spain and Switzerland said that they would request their authorities to submit information covering also the period in 1971 before they acceded to the Arrangement.

16. The representative of Australia observed that the information on the first quarter of 1971 was so far insufficient for a satisfactory discussion and suggested that the meetings of the Committee should be arranged so as to enable it to have the information of all members and observers at its disposal.

Review of the market

17. The representative of New Zealand said that the trade situation had hardly changed since the last meeting and that prices were holding firm. He thought it likely that this situation would last for some time to come.

18. The representative of the EEC stated that in 1971 overall milk production in the EEC would be more or less at the same level as the previous year. Manufacturers of skinned milk powder were at the moment somewhat reluctant to deliver their product to the intervention agencies at the intervention price of 47 U.A. per 100 kgs., as the higher market prices were at 43-49 U.A. They also benefited
from the prevailing possibilities of selling in the EEC skimmed milk powder for animal feed, for which there existed a subsidy of 12 U.A., bringing the purchase price downwards to 35 U.A. Furthermore, it seemed that manufacturers preferred to stock their skimmed milk powder, apparently awaiting an even more profitable market situation. Public stocks of skimmed milk powder at 1 June 1971 amounted to 45,755 tons as against 217,000 tons at the same time the previous year. The level of private stocks was unknown, but was probably higher than a year earlier.

19. The representative of the EEC suggested that for the next meeting, members might also supply some information as to the reaction of consumers to the rising trend in prices, and its effect on demand, especially in importing countries.

20. Upon a suggestion made by the representative of the United Kingdom, the Committee requested the secretariat to prepare in advance of the next regular meeting a short analysis on the market situation in order to facilitate discussion on this subject.

Spanish import system for skimmed milk powder for animal feed

21. The Committee had before it a request by the Government of Spain for a derogation under paragraph 5 of Article III to import below the minimum price skimmed milk powder used for animal feeding. It had also before it a description of the Spanish control measures at importation (documents MCDP/W/13 and INT(70)62).

22. In introducing the request the representative of Spain explained that with regard to the next to last paragraph of Annex 1 of MCDP/W/13, it was understood that the denaturing could be carried out either in the producing country, a country of transhipment or in a Spanish free port. The essential thing was that the denaturing must have taken place before presentation to the customs authorities.

23. On this basis the Committee approved the Spanish control measures as described in MCDP/W/13 and INT(70)62 and agreed to record them in the Register of Processes and Control Measures in accordance with paragraph 5 of Article III of the Arrangement.

Other business

24. The Committee provisionally agreed to hold its next regular meeting on 15 October 1971, subject to confirmation by the Chairman.