Introduction

1. The Management Committee held its tenth meeting on 18 October 1971.

2. The Committee adopted the following agenda:
   1. Adoption of agenda.
   2. Adoption of the minutes of the ninth meeting (MCDP/10).
   3. Information required by the Committee under Article IV or other Articles of the Arrangement.
   4. Review of the market situation.
   5. Other business.

Adoption of the minutes of the ninth meeting

3. The Committee adopted the minutes MCDP/10.

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

4. The representative of the United States recalled that there was a time-lag of ninety days between the transaction and reporting in his country, but said he would submit the information on the second quarter of 1971 as soon as possible.

5. The representative of South Africa, replying to a question regarding a discrepancy between the sum of imports from different origins and the figures for total imports in MCDP/STLT/19/Add.1, said that he had already requested his authorities for the necessary information and hoped to supply it to the Committee at or before the next meeting.

6. The representative of Australia pointed out that, as was indicated in a footnote, the price of US$24.03 per 100 kgs. reported in document MCDP/STLT/17/Add.1 was in respect of a contract covering 270 tons which was, in fact, concluded on 8 March 1971, but for which an export permit had not been issued until June.
Review of the market situation

7. The representative of Australia said that the trade situation had, if anything, become a little tighter and that there were no immediate prospects of any significant change in the present pattern. Australian exports in the second quarter of 1971 were about half those of the comparable period of 1970, and stocks at the end of June 1971, at less than 2,000 tons, were down to minimal proportions. The spring season had opened with adverse weather conditions, and it was possible that there might be difficulties in fully meeting export demand.

8. The representative of Denmark said that in the spring of 1971 prices of skimmed milk powder were nearly twice as high as the new minimum price of US$25 per 100 kgs.; since then, the price gap had even grown. He raised the question as to whether one should not envisage the possibility of raising the minimum price; in the view of his authorities a safe level would be about US$35 per 100 kgs., since many countries had recently been exporting at prices well above the minimum price and it seemed that the market situation would allow for such an increase.

9. The representative of the EEC stated that the present level of public stocks of skimmed milk powder was very low, but that private stocks had probably not fallen as sharply. With market prices rising to around 60 U.A. per 100 kgs. in October, manufacturers had little reason to deliver the product to the intervention agencies at the intervention price of 47 U.A. and preferred to sell their skimmed milk powder little by little. He agreed with other members that an element of speculation was involved. Production in the EEC in 1971 would probably be some 50,000 tons lower than in the previous year, when it amounted to 1,194,000 tons. Commercial exports had fallen sharply. Recent exports had been shipped at $54-55.50 per 100 kgs. f.o.b. As regards the suggestion made by Denmark, he could not take a position at the present time. His delegation would, however, reflect upon it, with, however, the obvious reservation that the minimum price should not be brought up to the current market price level.

10. The representative of New Zealand said that because of two seasons of exceptional drought, New Zealand's production had fallen considerably. Rising world prices for skimmed milk powder and other dairy products were reflected, and had a simulating effect on, New Zealand production. Despite the decline in cow numbers, milk production might well recover in the current season, and there was a possibility of further increase in 1972/73. It was expected that, assuming reasonable weather conditions, about 180,000 tons would be available for export in 1971/72, some 60,000 more than in the previous season. Referring to some of the prices reported, he pointed out that very little trade was conducted at such high levels. New Zealand wished to promote new markets and to extend existing ones; it therefore sold a considerable part of its exports below the $55-60 mark mentioned by others.

11. The representative of Australia pointed out that care should be taken before drawing conclusions about prices, especially about spot prices in a situation of short supply. The minimum price should be regarded as a floor price. Before
looking into the question of the level of the minimum price, one needed a more careful examination of differences in market situations among different producers and, moreover, one had to take into account not only purely short-term considerations, but also medium-term prospects.

12. The representative of Japan doubted that it was possible to conclude from the recent changes in the skimmed milk powder situation whether the structure of the market had changed so as to justify a modification of the minimum price. The Arrangement should be construed as a measure of coping with the contingency of an upsetting of the supply/demand balance. The minimum price had only recently been raised, and one should not hastily conclude that just because market prices had risen, the minimum price should go up with them. He considered that a very prudent position should be taken on this issue.

13. The representative of Canada stated that stocks of skimmed milk powder had virtually disappeared and that remaining stocks were fully committed. It was expected that the production of 1971 would be lower than that of the previous year and would not exceed 135,000 tons. Exports in 1971 would be below the 1970 level. It was furthermore anticipated that short supplies would last at least until next spring. He shared the FAO's assessment that the present high prices were unlikely to remain so in the medium term. It would be unwise for the Management Committee to raise the minimum price to a level which might not be sustainable in the longer run. This should not be taken as excluding the possibility of an increase, but the minimum price should be regarded as the floor price it was intended to be and not as a support price.

Other business

14. The Committee provisionally agreed to hold its next regular meeting in early February 1972, subject to confirmation of the exact date by the Chairman.