Introduction

1. The Management Committee held its thirteenth meeting on 13 September 1972.

2. The Committee adopted the following agenda:

   1. Adoption of agenda.
   2. Adoption of the minutes of the twelfth meeting (MCDP/13).
   3. Information required by the Committee under Article IV or other Articles of the Arrangement.
   4. Review of the market situation. Possible modification of the minimum price.
   5. Other business.

Adoption of the minutes of the twelfth meeting

3. The Committee adopted the minutes MCDP/13 and agreed that for the future a list of participants should be annexed to the minutes of each meeting.

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

4. In reply to a request, the representative of the United States said he would enquire whether his authorities could provide data on the value of exports of skimmed milk powder in addition to data on quantities, and hoped to give an answer at the next meeting.

Review of the market situation. Possible modification of the minimum price

   a) Present market situation and prospects

5. The representative of the EEC said that production in the Community was at normal levels. The internal market price was around the intervention price of 54 u.a. per 100 kgs. Present exports covered only minor quantities in small packages because
the restitution of 5 u.a. per 100 kgs. did not allow large exports. The Commission proposed to the Council a regulation for food aid covering 60,000 tons of skimmed milk powder (40,000 tons for the World Food Programme, 10,000 tons for Bangladesh, 6,000 tons for the Red Cross and the remaining 4,000 tons for other destinations). Taking into account the restitution and the compensatory amounts, the present export prices were between $49 and $51 per 100 kgs. f.o.b. According to his information, recent world export prices were between $46 and $50 per 100 kgs. f.o.b.

6. The representative of the United Kingdom said that in 1971 his country had become a net exporter of skimmed milk powder for the first time. This pattern of self-sufficiency had continued throughout the first half of 1972 with substantial increases in home production and stocks, increased exports and a decline in imports. This trend was likely to continue. The present price level of home produced spray-dry skimmed milk powder averaged $57 per 100 kgs., about $2 below the average level of the first half of 1972.

7. The representative of Australia said that because of the present dry weather conditions, the outlook for the immediate future was one of some decline in dairy production. Current minimum export prices were between $52 and $58 per 100 kgs.

8. The representative of Canada said that since the last meeting Canadian export prices of skimmed milk powder had declined. The main reasons were buyer resistance to high prices and a switch to substitutes. In the view of his authorities, an increase in the market prices over the next year was not expected and the world market seemed to be stabilized at least in the short term.

(b) Discussion on the possible modification of the minimum price

9. The representative of Denmark said that the Danish export prices of skimmed milk powder in the first and second quarter of 1972 were respectively around $64 and $62 per 100 kgs.; despite a small decline in the last few months, prices were still around $60 per 100 kgs. The world market price seemed to have stabilized around $60 per 100 kgs. which was much higher than the present minimum price of $25 per 100 kgs. He reiterated his request for a substantial increase in the minimum price, and considered a level of $35 per 100 kgs. justifiable.

10. The representative of the EEC supported the views expressed by the delegate of Denmark. He pointed out that taking into account the devaluation of the US dollar, the price of $35 would represent only $31-$32 in comparison with the minimum price of $25 fixed prior to the devaluation. He added that even for animal feed, $35 per 100 kgs. was a very reasonable price. The Community therefore also proposed a level of $35 but would remain open to whatever the Committee might decide.

11. Recalling his statement recorded in the minutes MCDP/13, the representative of Japan said that in May 1972 the Japanese Government had not associated itself with the proposal of an increase in the minimum price. Since the last meeting his Government had given very serious thought to this proposal and had taken into
account the considerations put forward by various delegations. However, his delegation had been instructed to state that the position of the Japanese Government had remained unchanged for the same reasons as put forward in the earlier meetings. Firstly, the minimum price should be regarded as a floor price, aimed at preventing a precipitate fall of market prices below the fixed minimum. It would be contrary to the letter and spirit of the Arrangement to adjust the minimum price too readily to short-term fluctuations in the market price. Secondly, a modification in the minimum price should take place only if a fundamental change in production and market structures had clearly occurred. His Government had kept the situation under constant review and was not convinced that a structural change had taken place. A downward trend in the market prices, though slight, was clearly noticeable; prices had not stabilized at the previous high level. Thirdly and above all, the Japanese delegation had agreed with the representative of Spain that the present minimum did not affect the price formation in the actual market; this assessment had remained true. For all these reasons, his delegation regretted that they could not associate themselves with the proposal to increase the minimum price. He added that he would report in full detail to his authorities the points stressed by other delegations to enable his Government to keep abreast with developments in the Committee. He would urge his Government to keep the matter under constant review, in its aim to uphold the principles of international co-operation in this important sector of the trade of dairy products.

12. Recalling his statement made at the previous meeting, the representative of Spain considered that the reasons that had led his authorities to take that position had remained unchanged. He agreed with the representative of Japan that a slight downward trend was noticeable in the market prices, a trend which was confirmed by the price data given by the representative of Denmark. The minimum price had been established in order to avoid a disruption of the market under abnormal conditions. He noted that in the last meeting the proposal more generally accepted was that of an increase in the minimum price to $30 per 100 kgs., and considered that the Committee should continue to observe whether the present downward trend in market prices would be confirmed. He suggested that the Committee should keep in mind the figure of $30 and might usefully revert to this matter and take a decision at its next meeting by which time it might have more information on the evolution of the market situation.

13. The representative of New Zealand said that, in principle, his authorities were not in favour of an increase in the minimum price. It was not desirable to change the minimum price, which is a floor price, in order to reflect temporary changes in world market levels. However, his authorities had given careful consideration to the views of those who favoured an increase and would be prepared to agree to an increase up to $30 per 100 kgs. in the minimum price if there were a consensus in the Committee, on the understanding that the new minimum price would remain at that level for a long period of time. He added that any figure between $25 and $30 would not constitute a large increase and would not be likely to have a profound effect on the cost of Japanese imports of skimmed milk powder. He hoped that the delegation of Japan might be able to reconsider their position.
and that any ultimate adjustment of the minimum price would not influence the Japanese overall attitude towards the value of the Arrangement. He stressed that his country attached special importance to the participation of Japan in the Arrangement. Noting that a consensus was not likely to be achieved at the present meeting, he agreed with the representative of Spain that it might be preferable to revert to the matter at the next meeting. This would leave time to observe the trends of the market and to hold further bilateral consultations.

14. The representative of the United Kingdom recalled that his views on the importance to the Arrangement of raising the minimum export price to a reasonable level were fully recorded in the minutes MCDP/13 (paragraphs 19 and 20). He stressed that the United Kingdom was in favour of raising the minimum price to $30 per 100 kgs.

15. The representative of South Africa said that his position was fully covered in the minutes of the previous meetings (MCDP/12 and 13). The minimum price was a floor price. Although there was a relationship between it and the world price, this did not mean that the former had to "chase" the latter. In his view the market situation had not changed to such an extent as to justify an increase above $30 per 100 kgs. He supported the Spanish proposal that the Committee should keep in mind the figure of $30 and revert to the question at its next meeting.

16. The representative of Canada said that his views, recorded in the minutes MCDP/13, remained unchanged. He pointed out that too high a level in the minimum price could encourage surplus production and dampen long-term market prospects. If there were a majority view against maintaining the minimum price at its present level Canada could go along up to a level of $30 per 100 kgs. He agreed that, if a consensus is not reached at the present meeting, the Committee might revert to the question at its next meeting; in the meantime, further bilateral consultations would be helpful.

17. The representative of Australia supported the views expressed by the delegations of Canada and New Zealand. In his view, a modest upward adjustment in the minimum price to $30 per 100 kgs. was justifiable. This, however, on the understanding that the new minimum would be maintained unchanged for a long period of time. The gap between the minimum price and the market price appeared to be of a long-term nature. He agreed that the world market situation should be kept under review for the next three months and that the Committee should revert to the question at its next meeting.

18. The representative of the EEC considered that, apart from Japan and Spain, there was a general tendency in the Committee in favour of an increase in the minimum price to $30 per 100 kgs. He recalled that the question of a possible modification in the minimum price had been discussed in the Committee for nearly a year and that similar arguments had been put forward in each meeting. He saw no real need to defer the matter further. The Japanese and Spanish import prices of skimmed milk powder were well above the existing minimum. He wondered why it
was more difficult, now that the market prices were high, to raise the minimum price to $30 while it had been relatively easy to fix it at $20 when the world price was around $12 or 13. Surpluses were not to be expected, in particular because of drought conditions in certain countries; the Community could easily sell its production within its boundaries. In his view, the situation was clear cut and there was no reason to continue to study the general trend of the market. He added that an increase from $25 to $35 in the minimum price would be justifiable and reasonable but if there were no consensus on that figure the Community would be ready to accept a level of $30, although it would hope that one day one might reach the level of $35. He appealed to the delegations of Japan and Spain to reconsider their position on the question.

19. The representative of Denmark supported the views expressed by the representative of the EEC and recalled that the Agreement had been negotiated and accepted on the understanding that the minimum price might be raised if the world market permitted.

20. The representative of Switzerland confirmed his statement recorded in the minutes MCDP/13. Switzerland was ready to agree to a new minimum price of $35 per 100 kgs. and thus had no objections to a level of $30.

21. The representatives of Japan and Spain stated that they would convey the arguments put forward in the Committee to their authorities.

22. The Committee noted that consensus had not been reached as to a modification of the minimum price under paragraph 3 of Article III of the Arrangement. It was therefore agreed that the question would be included in the Agenda of the next regular meeting and would be reconsidered in the light of the evolution of the situation of the international market.

23. The Committee agreed to hold the next regular meeting on 12 December 1972, subject to the usual confirmation.
LIST OF REPRESENTATIVES - LISTE DES REPRESENTANTS

Acting Chairman : M. J.X. Lucq
Président par interim: M. J.X. Lucq

AUSTRALIA
Mr. W.J. McKeown
Mr. R. Moore

BELGIQUE
Mr. R. Luxen

CANADA
Mr. P.T. Eastham
Mr. W. Dymond

DENMARK
Mr. F. Erskov
Mr. B. Laier

ESPANA
Dr. Huberto Villar Serraillet

FRANCE
Mme E. Michaud

GERMANY, FED. REP. OF
Mr. I. Reuter

ITALIE
M. I. Abruzzese

JAPAN
Mr. H. Kaya
Mr. J. Shiwaku

LUXEMBOURG
S.E.M. Marcel Fischbach

NETHERLANDS, KINGDOM OF THE
Mr. S.D.J. Duursma
Mr. D.H. Elskamp

NEW ZEALAND
Mr. B.W.P. Absolum

SOUTH AFRICA
Mr. O.J. Kok

SUISSE
M. H.H. Buchmann
M. F. Rammelmeyer

UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
Mr. S. Hampson

COMMUNAUTES EUROPEENNES
COMMISSION
M. A. Barsuglia
M. H. Stadler
OBSERVERS

AUSTRIA

Mr. Heinz Opelz

IRELAND

Mr. P. O'Donoghue
Mr. P.A. Hussey

UNITED STATES OF AMERICA

Mr. N. Thuroczy