Introduction

1. The Management Committee held its sixteenth meeting on 8 June 1973.

2. The Committee adopted the following agenda:
   1. Adoption of agenda
   2. Adoption of the minutes of the fifteenth meeting (MCDP/16)
   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 fifteenth meeting

3. The Committee adopted the minutes MCDP/16.

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

4. The representative of Australia informed the Committee that data concerning the fourth quarter of 1972 and the first quarter of 1973 would be supplied shortly.

Review of the market situation

5. The representative of the EEC informed the Committee that the Council had fixed new prices for dairy products for the 1973-1974 season; the intervention price for skimmed milk powder had been raised from 54 u.a. to 66 u.a. per 100 kgs.; the aid to skimmed milk powder for use as animal feed had been raised from 17.62 u.a. to 26.04 u.a. per 100 kgs.; the target price for milk had been raised from 11.77 u.a. to 12.42 u.a. per 100 kgs. Public stocks of skimmed milk powder as of 29 May 1973 amounted to 110,792 tons. Precise figures for the level of private stocks were not available. Recent exports had been shipped at prices around $54-55 per 100 kgs. Production in the EEC in 1973 would probably be slightly higher than in the previous year.
6. The representative of Australia informed the Committee that Australian production of skimmed milk powder for the year ending 30 June 1973 estimated at 107,000 tons was higher than in the previous year, when it amounted to 95,000 tons. If the powder produced by companies which were not party to the skimmed milk powder price equalization arrangement was taken into account, a further 10,000 tons should be added to the figure of 107,000 tons. He pointed out that the sudden increase in production for the year ending 30 June 1973 could be explained by a switch from casein production arising from the price advantage presently enjoyed by skimmed milk powder in world markets. The level of stocks at the end of March 1973 amounted to some 17,000 tons and could be regarded as normal. It was anticipated that for the coming 1973-1974 season, Australian production of butter and skimmed milk powder would show a slight increase. He pointed out that the market seemed to be holding fairly firm with prices around $52 per 100 kgs. He asked whether the recent Regulations of the EEC Council on dairy products would have any significant effect on EEC production.

7. The representative of the EEC recalled that at the previous meetings of 10 May 1972, 13 September 1972 and 12 December 1972, his delegation, supported by the Danish delegation, had requested an increase from $25 to $35 in the minimum price. Certain delegations had been ready to accept an increase to $30, and others to $35 per 100 kgs. At the meeting of 12 March 1973 the possible modification of the minimum price had not been discussed. The evolution of the market situation since September 1972, the developments in monetary field and the price increases for all other proteins for use as animal feed, seemed to show that the time had come for the Committee to discuss seriously a possible modification of the minimum price and to take a decision on this matter at the present meeting.

8. The representative of New Zealand supported the views expressed by the representative of the EEC. Recalling his statement made at the meeting of 13 September 1973 he said that his authorities had agreed to an increase in the minimum price up to $30 because the change in the world market situation justified it. It was not desirable to change the minimum price in order to reflect temporary changes in world market levels but when the market situation appeared to be strong, the Committee should discuss a possible modification of the minimum price. The recent devaluation of the United States dollar on its own could justify some adjustment. Furthermore, the market price, running at more than twice the minimum price, had remained strong. New importers were entering into the market so that it was likely that the present strong market situation would continue. Taking into account all these elements, the Committee could consider an increase in the minimum price. Without wishing to specify a precise figure, he suggested that the new level should not be less than $30 and possibly a little higher.
9. The representative of Australia said that bearing in mind the changes in the world market situation of skimmed milk powder and the effective results of currency alignments, it was possible to contemplate some modest increase in the minimum price. He stressed the fact that the revaluation of Australian dollar had affected the competitive position of his country in export markets. Notwithstanding that fact, a new minimum price around $30 might be justified.

10. The representative of Canada stated he had no recent instructions on this issue; however, if there were a consensus to increase the minimum, Canada would not be an obstacle to such a decision. He felt that $30 per 100 kgs might be an appropriate minimum; he would report to his authorities the views expressed in the Committee on the changes in the world market situation and on the effects of currency alignments.

11. The representative of South Africa recalled that his delegation, in the previous meetings, had agreed to an increase in the minimum price to $30 per 100 kgs, if a consensus in the Management Committee could be reached. At the time, the price mentioned had not included a possible adjustment that might be required as a result of the change in the gold-parity of the US dollar. The position of the South African Government had remained unchanged. South Africa, as a net importer, would be ready to consider any price the Committee might be in a position to agree upon.

12. The representative of Spain recalled that in the previous meetings his Government had opposed an increase in the minimum price. Since then due to the devaluation of the US dollar, the situation had changed and Spain would not like to take a permanent stand against any general consensus that might emerge in the Committee. Although he had not received recent instructions from his authorities, he thought that Spain could accept a new minimum price of $30, but wished to know the views of Japan before taking a final position.

13. The representative of Japan considered that there were no compelling reasons to discuss on the possible modification of the minimum price at the present meeting. He recalled that the minimum price should be regarded as a floor price aimed at preventing a precipitate fall of market prices below the fixed minimum. A modification in the minimum price should take place only if a fundamental change in production and market structures had clearly occurred. He added that he would seek official instructions from his authorities as regards the possible impact of the recent currency alignments on the question of raising the minimum price.

14. The representative of the EEC said that when the price of $25 had been fixed, it had been equal to 25 u.a. According to the recent average exchange rate of Community currencies, 25 u.a. would now be equal to $32.04; taking into account the other elements mentioned in his previous intervention, a new minimum price of $35 per 100 kgs, appeared to him more than justified. He found it hard to understand why it should be so difficult to raise the minimum price to $35 now that market prices were around $50, while it had been relatively easy
to fix it at $20 when the world price was $12. If the Committee were at present fixing a minimum price for the very first time, it was unlikely that this price would be below $35. He saw no real reasons for the hesitations expressed at the present meeting, and pointed out that Japan and Spain, which had been able to obtain derogations for certain kinds of imports, were at present importing skimmed milk powder at prices even higher than $50. Importing countries perhaps thought that an increase in the minimum price might have a psychological influence on market prices. In fact, however, the evolution of market prices depended on the law of supply and demand, on the prices of competitive goods, on monetary developments and other factors, rather than on the minimum price of the Arrangement.

15. The representative of Switzerland recalled that at the previous meetings his country, an importer, had agreed to an increase in the minimum price, and confirmed that this position remained unchanged. His authorities' main interest was that world agreements such as the Arrangement be functional and act as stabilizing elements in the world markets. If the market situation had changed it should be possible to adapt the Arrangement to the new situation. If the minimum price, which was a key element, could not be adapted, there was a risk that the Arrangement might become non-functional.

16. The representative of New Zealand said that two factors ought to be considered when looking at the minimum price. Firstly, the question of whether there had been any change in the production and market conditions in the world. The present price of $52-$54 was not a short-term phenomenon and had been fairly stable over the last year or more. Secondly, the question of currency alignments should be taken into account. The minimum price, when it had been fixed, had been intended to give a certain security to exporting countries. This security had now been eroded in terms of returns for these countries. He was attracted by the new level of $35 proposed by the EEC, which he considered reflected a new plateau for stability and took into account the recent alignments of currencies.

17. The representative of Australia said he did not fully agree with all the views expressed regarding the function of the minimum price and the comparison which it was possible to make between the criteria used for establishing it and those which ought to be considered at present for revising it. While it was true that the devaluation of the US dollar had necessarily had an effect on the minimum price level as expressed in the Arrangement, it was not certain that the devaluation of the US dollar had had any effects on the returns of exporting countries, since world selling prices were above the minimum price in the Arrangement. Other currencies had undergone other changes: he had earlier referred to the revaluation of the Australian dollar and its effects on that country's competitiveness. Secondly, when the minimum price was established its purpose had been to bring up the world price from its low level, while at the present stage, the purpose of raising the minimum could not be viewed in the same light.
18. The Committee agreed that, as certain delegations were not in a position to take a decision at the present meeting, it would revert to the question of the modification of the minimum price and take a decision at its next meeting, to which members of the Committee were invited to come with appropriate instructions. The Committee also agreed that, in order to facilitate this decision, the secretariat would prepare in advance of the next meeting a note (including statistical data) relating to the two criteria contained in Article III:3 of the Arrangement which provides for a modification of the minimum price: the results of the application of the Arrangement and the evolution of the situation of the international market.

Other business

19. The Committee agreed to hold the next regular meeting on 24 September 1973, subject to confirmation by the secretariat.
List of Representatives - Liste des Représentants

Acting Chairman: M. J.-M. Lucq

AUSTRALIA
BELGIQUE
CANADA
DENMARK
ESPANA
FRANCE
GERMANY, FED. REP. OF
JAPAN
NETHERLANDS
NEW ZEALAND
SOUTH AFRICA
SUISSE
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
COMMUNAUTES EUROPEENNES COMMISSION

Observer/Observeurs

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UNITED STATES OF AMERICA