Arrangement Concerning Certain Dairy Products

 MANAGEMENT COMMITTEE

Minutes of the Eighteenth Meeting Held on 10-11 December 1973

Introduction

1. The Management Committee held its eighteenth meeting on 10 and 11 December 1973.

2. Following a request by the delegation of Hungary in a written communication to the secretariat (MCDP/W/28), the Committee invited the Government of Hungary to take part in the work of the Committee as observer. In doing so, the Committee noted that Hungary was prepared to fulfil its obligations as an observer on the Committee. The representative of Hungary thanked the Committee for inviting his Government to participate as observer in its work and said that his delegation was ready to submit the information and data required under Article IV of the Arrangement.

Adoption of agenda

3. The Committee adopted the following agenda:

1. Adoption of agenda

2. Adoption of the minutes of the seventeenth meeting (MCDP/18)

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 seventeenth meeting

4. The representative of the EEC requested the following modification to the minutes MCDP/18: in paragraph 4, line 2, delete "150,000" and substitute by "174,000". The Committee agreed to this modification and adopted the minutes as amended.
Information required by the Committee under Article IV or other Articles of the Arrangement

5. The representative of New Zealand recalled that the statistical data submitted by his authorities since the beginning of 1972 had been provisional and had been provided by the New Zealand Dairy Board. He was now able to furnish confirmed official Government statistics for the first and second quarter of 1972 for Items A4 and B of the questionnaire. Export figures for the first and the second quarter of 1972 were respectively 35,506 and 50,365 tons instead of the provisional figures of 45,000 and 47,000 which appeared in the document MCDP/STAT/42/Add.1. He explained that the discrepancy between the provisional and official statistics was due to the fact that the Board estimates related to the time when the product left the producing company's store whereas the official Government figures related strictly to exports from New Zealand as recorded in Customs documentation. The Dairy Board and the New Zealand Department of Statistics were looking into new procedures to overcome this problem and it was expected that official figures for the rest of 1972 and subsequently, would be broadly consistent with the provisional figures submitted by the Dairy Board.

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

(a) Present market situation and prospects

6. The representative of the EEC said that recent prices at which contracts had been concluded were 5 or 6 u.a. above the level of the intervention price of 66 u.a. Present export prices should be at a level of 58 to 59 u.a. In actual practice, exports had recently taken place at prices around $77-$78 per 100 kgs. f.o.b.

7. The representative of Australia said that the market for skimmed milk powder remained very firm. The Australian Dairy Produce Board's current minimum export prices were around $80-$82 per 100 kgs. f.o.b. Recent exports had been shipped at prices between $72 and $76 per 100 kgs. in September 1973 and at $76 per 100 kgs. in October 1973. As regards transactions under derogation relating to Article III, paragraph 5, export prices were at $76 per 100 kgs. in the same period. Present stocks of skimmed milk powder totalled 10,000 tons compared to 20,000 tons at the end of September 1972.

8. The representative of Japan said that he proposed to put on the agenda of a future meeting a review of the conditions under which the provisions of this Arrangement, in particular the price provisions, were applied by the participants. Furthermore, he proposed that the members of the Committee should submit, by the next meeting, information regarding production costs, or if this was not possible, wholesale prices of skimmed milk powder. He said that, in the opinion of his delegation, and with a view to the purpose of this Arrangement, it was the responsibility of the exporting members of the Committee

1See minutes of twelfth meeting MCDP/13, paragraph 5.
to undertake to expand their production in accordance with the evolution of the
demand situation and to take all necessary measures to secure a sufficient
supply of skimmed milk powder at a reasonable price. He concluded by expressing
the wish that these countries would endeavour to stabilize the supply and demand
situation of skimmed milk powder.

9. The Committee took note that the delegation of Japan proposed to put on the
agenda of a future meeting that a review of the conditions under which the
provision of the Arrangement, in particular the price provisions, were applied
by participants be undertaken at the earliest practicable opportunity.

10. Referring to the proposal by the representative of Japan concerning the
communication of additional statistical information, the representative of the
EEC said that he could communicate wholesale prices of skimmed milk powder which
were approximately the intervention price fixed for this product by the Council.

11. The representative of Australia said that wholesale prices of skimmed milk
powder were available from published sources in his country. His authorities
would be prepared to co-operate to the fullest extent possible in providing further
statistical information if these data could be made available.

12. The representatives of New Zealand, Canada, South Africa and Spain said that
they were ready to supply all statistical information which was available.

13. The representative of the United States asked whether the observers would
have to submit this additional statistical information. He expressed a reservation
as to the technical ability of his country to comply with this request.

14. It was agreed that the members of the Committee should submit, by the next
meeting, information requested by the representative of Japan on production costs
or wholesale prices of skimmed milk powder, to the fullest extent possible.

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

15. The representative of New Zealand recalled that the question of the
modification of the minimum price had been on the agenda for over a year and that
the arguments for an increase in the minimum price put forward by his delegation
were recorded in the minutes of the previous meetings. Two important factors
should be taken into account. Firstly, as a consequence of successive devaluations
of the US dollar and subsequent currency alignments, the value of the existing
minimum price had been eroded. Secondly, the change in production and market
conditions in the world had led to a generally higher level of prices and
production costs. Nothing had occurred over the last year to indicate that this
significantly higher level of prices was a short-term phenomenon. These factors
pointed to a continuing firm market situation of skimmed milk powder and the
continuation of the new trading plateau. By the combination of these two factors
the existing minimum price had lost its significance as a floor price over which producers could produce with confidence. For all these reasons, the time had come to restore the floor price to the relative level it enjoyed when the Arrangement had been negotiated and to do this, the minimum price should be increased to $35 per 100 kgs.

16. The representative of Australia said that, for the same reasons as put forward by the representative of New Zealand, he could support the proposal for an increase in the minimum price to $35 per 100 kgs. When the minimum price was established its purpose had been to provide a reasonable return to producers. Taking into account the inflationary pressures and the currency alignments, the existing minimum price could not serve that purpose any more. He recalled that the revaluations of the Australian dollar had further reduced the Australian dollar equivalent of the floor price.

17. The representative of Canada said that his authorities, having examined the current market situation, were in the view that an increase in the minimum price to $35 would be warranted. He agreed with the arguments put forward by the representative of New Zealand.

18. The representative of South Africa said that his position was fully covered in the minutes of the previous meetings. He could agree to an increase in the minimum price to $35 per 100 kgs. If a consensus could be reached he recalled that his authorities would expect the new minimum price of $35 to remain unchanged for a long period of time.

19. The representative of Switzerland recalled that at the previous meetings his country, an importer, had agreed to an increase in the minimum price to $35 per 100 kgs. One of the main objectives of world agreements such as the Arrangement was to promote international co-operation and the Arrangement was a valid effort in this direction; but it should be possible to adapt the Arrangement to a new market situation. He pointed out that to the arguments already mentioned in favour of an increase in the minimum price, it was possible to add now that new structures for production and transport were being developed in relation with the reappraisal of the situation in the energy sector and in the markets for proteins in general. For these reasons he continued to support the proposal for an increase in the minimum price to $35 per 100 kgs.

20. The representative of Austria said that, for the same reasons he had put forward in the last meeting he could support the proposal for an increase in the minimum price to $35 per 100 kgs.

21. The representative of Japan said that the basic position of his delegation regarding the minimum price had remained unchanged. The minimum price should be regarded as a floor price aimed at preventing a precipitate fall of market prices below the fixed minimum. The minimum price should not be subject to frequent changes in response to current fluctuations in the market prices. However, taking into account the discussions which had taken place in the Committee and the principle of international co-operation, his delegation would not be opposed to a reasonable upward adjustment in the minimum price, on the understanding that the new minimum price would remain unchanged for a long period of time.
22. The representative of Spain recalled that at the last meeting the representative of New Zealand had raised the question of security of returns to the efficient producers. He agreed that the first aim of the minimum price was to ensure reasonable returns to efficient producers. He said that on that basis Spain could accept an increase in the minimum price to $30 per 100 kgs.

23. The representative of Japan said that if there were a consensus to increase the minimum price to $30, his delegation would be ready to accept a new minimum price of $30 per 100 kgs.

24. The representative of New Zealand recalled that the recent currency alignments on its own could justify an increase of between 16 and 18 per cent in the minimum price bringing it to $29.5-$30. An increase in the minimum price to reflect only the currency alignments would not be enough and the Committee should also take into account the evolution of the market situation. He observed that the consensus in the Committee was more towards an increase in the minimum price to $35 and invited the representatives of Japan and Spain to reconsider their position.

25. The representative of Spain said that in the light of the discussion Spain was ready to accept a new minimum price of $35 per 100 kgs.

26. The representative of Japan said that if an increase in the minimum price to $35 represented the consensus of the Committee his delegation would be prepared to accept a new minimum price of $35 per 100 kgs. on the understanding that the new minimum price would remain unchanged for a long period of time.

27. The representative of Australia said that he was unable to accept the formulation suggested by Japan that the minimum price be held constant for a long period of time. He pointed out that Australia fully appreciated the motivation behind the Japanese point which was indeed consistent with its own objectives of stability and predictability of prices for commodity arrangements. However, there was need to avoid the possibility of a rigidity in prices for a long period of time given the very fluid international market situation and in particular the possibility of movements in the relative value of currencies, and the impact of inflation. Accordingly, he would prefer to see a formulation such as "a reasonable period of time", rather than the wording which had been suggested by Japan.

28. The representative of Spain expressed his support for the view that the new minimum price should remain unchanged for a reasonable period of time.

29. The Management Committee decided, under paragraph 3 of Article III of the Arrangement that the level of the minimum price specified in that Article be modified to US$35 per 100 kgs. with effect from noon of 11 December 1973. It was the understanding of the Committee that the new minimum price agreed upon would remain in force for a reasonable period of time.
30. The Committee agreed that this decision would be duly recorded in the minutes and set forth in a procès-verbal signed by the Director-General of the CONTRACTING PARTIES to the GATT, certifying the entry into force of the new minimum price.

Other business

31. The Committee provisionally agreed to hold its next regular meeting in early March 1974, subject to confirmation of the exact date by the Chairman.
ANNEX/ANNEXE

List of Representatives - Liste des Représentantes

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

AUSTRALIA

BELGIUM

CANADA

DENMARK

FRANCE

GERMANY, FED. REP. OF

IRELAND

JAPAN

NETHERLANDS

NEW ZEALAND

SUISSE

SOUTH AFRICA

UNITED KINGDOM, OF GREAT BRITAIN AND NORTHERN IRELAND

COMMUNAUTES EUROPEENNES COMMISSION

AUSTRIA

HUNGARY

UNITED STATES OF AMERICA

OBSERVERS/OBSERVATEURS

Mr. C.F. Teese
Mr. C. Panier
Mr. J. Weekes
Mr. E. Olsen
M. Colombel
Mr. K. Johansson
Mr. F. O'Donoghue
Mr. H. Kaya
Mr. F. Küthe - Mr. M. Hoogesteger
Mr. W. Falconer
M. H. Buchmann
Mr. E. Grimbeek
Mr. I.C. Redfern - Mr. C. Bodrell

M. A. Barsuglia
M. H. de Lange
Mme Laurent

Mr. H. Opelz
Mr. Sandor Bojtor
Mr. N. Thuroczy