Introduction

1. The management Committee held its twenty-third meeting on 14 March 1975.

Adoption of Agenda

2. The Committee adopted the following agenda:

   1. Adoption of agenda.
   2. Adoption of the minutes of the twenty-second meeting (mCDP/23).
   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 twenty-second meeting

3. The representative of the EEC requested the following correction to the French text of the minutes mCDP/23: in paragraph 5, line 18, delete "petit-lait" and substitute by "lactosérum". The Committee agreed to this correction and adopted the minutes as amended.

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

4. The representatives of Australia, Canada and the EEC informed the Committee that data concerning the fourth quarter of 1974 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 1975/76 milk year; the target price of milk had been raised in two stages, from 14.08 u.a. to 14.92 u.a. per 100 kgs. from 3 March 1975 and to 15.59 u.a. per 100 kgs. from 16 September 1975; the intervention price of skimmed milk powder had been raised from 82.74 u.a. to 88.70 u.a. per 100 kgs. from 3 March 1975. It would not change in September 1975 since the second stage of the increase in the milk price would affect only the intervention price for butter; the aid to skimmed milk powder and to liquid skimmed milk for use as animal feed had been fixed at 36.50 u.a. and 3.39 u.a. per 100 kgs. respectively from 3 March 1975; these subsidies could change in September 1975 according to the market situation. Public stocks of skimmed milk powder as of 13 March 1975 amounted to 398,000 tons. Market prices were around the new intervention price of 88.70 u.a. per 100 kgs. Taking into account the restitution of 31.50 u.a. per 100 kgs., present export prices would theoretically be at a level of $85 to $86 per 100 kgs. In actual practice, it was impossible to export at these prices and the EEC was absent from the international market for skimmed milk powder.

6. The representative of New Zealand said that total production of skimmed milk powder in the 1974/75 season (ending on 31 May) would amount to some 230,000 tons, without change on earlier expectations. Stocks at the end of December 1974 were higher than usual and amounted to 146,100 tons as compared to 90,800 tons at the end of December 1973. The stock situation had not improved in the first quarter of 1975. He added that the January through March period was traditionally the peak stock holding period for his country but present stocks were above normal levels even for a peak. This stock situation was due to the almost total absence of demand for skimmed milk powder in the international market. External economic conditions were affecting demand in many parts of the world. Recent export prices had been at US$87 per 100 kgs. but virtually no sales of any significance had taken place at this price level. He said that stocks were also at high levels in the EEC and in the United States and a small shift in the balance of these countries could substantially affect the overall market situation.

7. The representative of Australia said that production of skimmed milk powder in the 1974/75 season would reach some 150,000 to 155,000 tons. Domestic consumption was likely to be 30,000 tons leaving some 120,000 to 125,000 tons available for export of which approximately half had already been shipped. Stocks of skimmed milk powder in factories at the end of December 1974 amounted to 25,000 tons as compared to 25,500 tons at the end of November 1974 and to 20,000 tons at the end of October 1974. It was anticipated that stocks at the end of June 1975 would reach some 25,000 to 30,000 tons. Sales were moving very
slowly probably due to the general downturn in economic activity in most of the developed world and to uncertainties about prices. He thought that not much could be done at the moment by reducing the prices because sales had not been stimulated by the recent decline in prices.

8. The representative of Canada said that total milk production of his country in 1975 was estimated to increase by about 1 per cent over 1974 and to regain its 1973 level of 16.9 billion pounds (7,665,840 tons). Creamery butter production had been 222 million pounds (100,700 tons) in 1974, about 8 per cent or 20 million pounds (9,072 tons) less than in 1973. Butter imports had reached 53 million pounds (24,000 tons) in 1974 as compared to 62 million pounds (28,000 tons) in 1973. It was expected that butter production would not increase in 1975 and that, butter imports would be close to the 1974 level of 53 million pounds (24,000 tons). Skimmed milk powder production in 1974 amounted to 137,000 tons, nearly 4,000 tons less than that of 1973. It was expected that skimmed milk powder production would increase slightly in 1975. With opening stocks at 1 January 1974 of 41,000 tons and production of 137,000 tons, total available supplies amounted to 178,000 tons in 1974. Domestic disappearance was estimated at 57,000 tons and exports reached 59,000 tons in 1974. Closing stocks at 31 December 1974 amounted to 62,000 tons. It was anticipated that production of skimmed milk powder in 1975 would reach 138,000 tons, almost the same level as that of 1974. Taking into account the beginning stocks at 1 January 1975 of 62,000 tons, total supply in 1975 would reach approximately 200,000 tons. Domestic disappearance was expected to amount to some 50,000 tons leaving 150,000 tons available for export in 1975. The target support price for milk had been fixed at Canadian $8.50 per 100 pounds from 1 April 1974. It had been raised successively during the milk year and had reached the level of Canadian $10.02 per 100 pounds on 24 January 1975. At that date, the support price for skimmed milk powder had been fixed at 59 cents per pound. He informed the Committee that his Government would release in the very near future a statement outlining long-term Canadian dairy policy.

9. The representative of Japan commented on his country's statistical data for the fourth quarter of 1974 contained in document MCDP/STAT/60/Add.2. Production and imports of skimmed milk powder had not changed significantly in the fourth quarter as compared to the preceding quarter. Average import prices of skimmed milk powder for all uses increased substantially in the fourth quarter as compared to the preceding quarter. Total production of skimmed milk powder remained almost the same in 1974 as that of the preceding year. Imports increased substantially in 1974 as compared to 1973 but total domestic consumption remained probably the same in 1974 as in the previous year leading to a substantial increase in the closing stocks at the end of 1974.

10. The representative of South Africa said that his country's production of skimmed milk powder remained almost the same in 1974 as in the previous year. Demand was being adversely affected by increased prices and imports would probably be reduced by 25 per cent.
11. The representative of Switzerland said that his country's present stocks of skimmed milk powder were very high. There were difficulties in finding new outlets for skimmed milk powder and also for whey powder. The share of whey powder used in milk substitutes had recently been increased.

12. The representative of the EEC said that estimated total production of skimmed milk powder of the Community in 1975 would amount to some 1,920,000 tons. Taking into account the beginning stocks at 1 January 1975 of 365,000 tons and the estimated imports in 1975 of some 20,000 tons, total supply for 1975 would reach approximately 2,305,000 tons. It was estimated that domestic consumption would total 1,400,000 tons of which 250,000 tons for human consumption and 1,150,000 tons for use as animal feed. On the assumption that it would be possible to export 380,000 tons in 1975 (300,000 tons in commercial sales and 80,000 tons as food aid), closing public stocks at the end of the year would amount to 530,000 tons. Consumption of skimmed milk powder in the Community showed a certain decline because feed producers had cut down the share of skimmed milk powder used in animal feed and were increasingly turning towards other products. It was expected that there would be a further decline in the consumption of skimmed milk powder for animal feed. Due to the shortage of alternative protein sources the Community had been able to export about 260,000 tons of skimmed milk powder in 1974. At present, the shortage of proteins had come to an end and it would be very difficult for the Community to reach the target of 300,000 tons of commercial sales in 1975 and exports from the Community would probably decline in the current year. World exports had already decreased in the first months of 1975 and increased competition could be noticed between the main exporting countries. Certain important consumers of skimmed milk powder both for human consumption and for animal feed had continued to import this product until its price reached $100 per 100 kgs. when they either withdrew from the market or sought other, less expensive substitutes. In view of the deteriorating market situation, it would be appropriate that the Committee carry out a more detailed study of the market. This would allow the Committee to discuss the possibilities of finding new outlets and of determining the price at which skimmed milk powder could be marketed having regard to its qualities and those of competing products.

13. The representative of New Zealand endorsed the observations of the representative of the EEC on the deteriorating market situation. He said that it would be useful to take into consideration two further points. If domestic consumption was likely to decline in certain countries, resulting in higher quantities available for export, the future problems would be concentrated on the export side. He wondered whether the decline in consumption was a reaction to current price levels or to the fact that traditional alternative protein forms such as soya cake and fishmeal were more readily available. If important amounts of skimmed milk powder were to be sold by certain countries on a non-commercial basis, these transactions might prejudice the position of traditional suppliers to the international market.
14. The representative of Australia said that an analysis of the market situation should make a distinction between the relatively unaffected market of skimmed milk powder used for human consumption and the market for skimmed milk powder used for animal feed which might be seriously affected by the present situation.

15. The Committee requested the secretariat to prepare in advance of the next regular meeting, with the help of delegations, an analysis of the current market situation. The analysis should take account of the different markets for skimmed milk powder according to end-use and should also give particular emphasis to price factors.

Other business

Skimmed milk powder for welfare purposes in Japan

16. The Committee, having noted the request contained in document MCDP/W/36, and subject to formal approval to be given by the delegation of Australia, agreed to grant Japan a derogation under paragraph 5 of Article VII in respect of the provisions of paragraph 9 of Article III on the following conditions:

(a) the derogation applies to fiscal year 1975/76;
(b) the derogation applies to imports into Japan for the school lunch and welfare programmes;
(c) the derogation applies to imports of up to a maximum of 14,600 tons in the said fiscal year;
(d) Japan shall report to the Committee on the implementation of the programme and the import transactions affected thereunder.

Next meeting

17. The Committee agreed to hold its next regular meeting on 26 June 1975 subject to confirmation by the secretariat.
ANNEX/ANNEXE

List of Representatives - Liste des Représentants

Acting Chairman: Mr. J.-M. Lucq
Président par intérim: Mr. J.-M. Lucq

- AUSTRALIA
  Mr. C.F. Teese
- BELGIUM
  Mr. C.S. Panier
- CANADA
  Mr. Gifford
- DENMARK
  Mr. E. Olsen
- FRANCE
  M. Colombel
- GERMANY, FED. REP. OF
  Mr. D. Belde
- JAPAN
  Mr. T. Manabe
- NETHERLANDS
  Mr. M. Hoogesterger
  Mr. J. Logger
- NEW ZEALAND
  Mr. W. Falconer
- SUISSE
  M. H. Buchmann
  M. F. Rammlmeyer
- SOUTH AFRICA
  Mr. Bezuidenhout
- IRELAND
  Mr. P.F. O'Donoghue
- COMMUNAUTES EUROPEENNES COMMISSION
  M. A. Barsuglia
  Mr. Pevilacqua
- SPAIN
  M. A. Iranzo-Comas

OBSERVERS/OBSERVATEURS

- HUNGARY
  M. A. Hadi
  Nane G. Gal
  Nane M. Magyar