Introduction

1. The Management Committee held its twenty-fourth meeting on 26 June 1975.

Adoption of Agenda

2. The Committee adopted the following agenda:

1. Adoption of Agenda
2. Adoption of the minutes of the twenty-third meeting (MCDP/24)
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-third meeting

3. The Committee adopted the minutes MCDP/2A.

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

4. The representatives of New Zealand, Austria and the EEC informed the Committee that data concerning the first quarter of 1975 would be supplied shortly.
5. Referring to the price information supplied by Spain in document MCDP/STAT/5o/Add.2 (pages 5 and 6), the representative of the EEC pointed out that the import prices from France and the Netherlands in the second and third quarters of 1974 for skimmed milk powder for use as animal feed were surprisingly low and considerably lower than those shown for other sources for the same period. He requested the secretariat to invite the representative of Spain to provide an explanation of the prices in question.

Review of the market situation

6. The Committee had before it a secretariat note prepared at its request relating to the current market situation of skimmed milk powder (MCDP/4/37).

7. The representative of New Zealand said that 1974 closing stocks of 146,100 tons were very high. The stock situation had not improved in the first half of 1975 and stocks reached the level of 186,000 tons at the end of April 1975. He pointed out that the situation of continuing stock increases was worldwide. Buyers were tending to run down their inventories and the demand for skimmed milk powder was slack. Recent export prices had been between US$75 and 79 per 100 kgs, but virtually no sales of any significance had taken place at these price levels and New Zealand was selling only to its regular clients. It was expected that production of skimmed milk powder in the 1975/76 season would reach some 213,000 to 215,000 tons about the same as in the previous season. He said that the very rapid cost inflation experienced throughout the world, particularly in 1974, influenced the economics of dairy farming. There was no sign of reversal in this trend of cost inflation. One of the consequences of this situation was that the minimum price which had been marginally increased in December 1973 was no longer appropriate to market or production cost realities. The Committee would be wise to reflect on this problem and see whether it might be taken up at some future point.

8. The representative of Australia said that production of skimmed milk powder in the 1974/75 season would reach some 145,000 tons. Domestic consumption was likely to be 16,000 tons leaving some 129,000 tons available for export, of which approximately 80,000 tons had already been committed. End-of-season stocks of skimmed milk powder in factories were likely to be around 45 to 50,000 tons compared to 30,700 tons at the end of April 1975 and 32,000 tons at the end of January 1975. Present stocks of skimmed milk powder held by major world producers were estimated to total almost one million tons and this amount was likely to increase in the coming months. Export prices were being held at around US$75 per 100 kgs. He expressed serious concern about the present market situation of skimmed milk powder, particularly because the Australian dairy industry was without government support, tax concessions or price guarantees and was undergoing further rationalization. He said that prices of skimmed milk powder were under pressure and costs were influenced by inflation. In addition to this, Australia had lost its traditional
butter markets. All these factors had led to an increased dependence on skimmed milk powder to provide returns to farmers. He considered that an emergency situation was building up in respect of the dairy industry and endorsed the observations of the representative of New Zealand. Consequently, the Committee would need to keep the market situation under very close review.

9. The representative of Japan, commenting on the secretariat note, said that the figures shown in Table 4 of the note, for total domestic consumption in Japan were derived by the secretariat from production, trade and stocks figures. Stock figures communicated to the secretariat did not include stocks in the distribution channels and therefore the figures shown in the note for total domestic consumption in Japan did not reflect the real situation. It was estimated, however, that consumption in Japan had not increased in 1974 but had remained stagnant or had even declined. The reference to Japan in paragraph 7 and in Table 4 of the note MCDP/W/37 should therefore be regarded as having been deleted.

10. Regarding the observations made by the representative of New Zealand he referred to the statement made by his delegation when Japan had agreed to an increase in the minimum price to $35 per 100 kgs., namely, that the minimum price should be regarded as a floor price aimed at preventing a precipitate fall of market prices below the fixed minimum. Therefore, in order to establish an appropriate minimum price, the Committee needed to undertake a very careful cost analysis which would be persuasive not only for the producers but also for the consumers. He concluded that the basic position of his delegation regarding the purpose of the minimum price had remained unchanged.

11. The representative of the EEC shared the concern expressed by the representatives of New Zealand and Australia on the market situation of skimmed milk powder. Public stocks of skimmed milk powder as of 20 June 1975 amounted to as much as 695,531 tons. Taking into account the stocks held by countries which were not participating in the work of the Committee, world stocks seemed to be higher than 1 million tons. World exports had already decreased in the first half of 1975 and increased competition had developed between exporting countries. The EEC exported only 40,000 tons in the first half of 1975 as compared to some 140,000-150,000 tons exported in the same period in previous years. This was probably due to the high export prices practiced by the EEC and to increased competition since the beginning of 1975. Export prices had declined since December 1974 and were now at about US$70 to 73 per 100 kgs. f.o.b. Recently, the Commission had introduced distinct restitutions for the two qualities of skimmed milk powder produced in the Community.
The first restitution, amounting to 40.50 u.a. per 100 kgs., applied to skimmed milk powder of a very high quality. The second restitution, amounting to 36.50 u.a. per 100 kgs., applied to a somewhat lower quality skimmed milk powder which was also subject to different packaging requirements. Both qualities of skimmed milk powder could be exported at the same price, i.e. at around 870 to 71 per 100 kgs., f.o.b. He hoped that at these prices the EEC would be able to resume exports of skimmed milk powder. Consumption of skimmed milk powder as animal feed in the Community was not increasing as one would wish given the growth in production. Feed producers had cut down the share of skimmed milk powder used in animal feed and were increasingly turning towards other protein sources. It would be very difficult for the Community to reach the target of 300,000 tons of commercial export sales in 1975.

12. The representative of Austria said that the present market situation of skimmed milk powder was unsteady. Since the beginning of 1975 stocks of skimmed milk powder were rising in Austria and it was expected that end of year stocks would amount to some 10,000 tons. This situation was due to the decline in exports and to lower usage of skimmed milk powder as animal feed. On the other hand, production of skimmed milk powder had risen in recent months as a result of increasing butter production. In the first quarter of 1975, consumption of skimmed milk powder for use as animal feed had declined to 6,890 tons as compared to 8,000 tons in the same quarter of the preceding year. This was probably due to the relative higher price level of skimmed milk powder.

13. The representative of Canada said that total milk production in his country in 1974 totalled 7,500,000 tons, about 1.8 per cent less than in 1973. Butter production had been 105,000 tons in 1974, about 8 per cent less than in the previous year. Skimmed milk powder production in 1974 amounted to 136,800 tons, about 3 per cent less than a year earlier. In the first quarter of 1975, production of skimmed milk powder increased to 18,700 tons as compared to 13,760 tons produced in the same quarter of 1974. Stocks at the end of the first quarter of 1975 increased substantially to 54,900 tons as compared to 6,000 tons at the end of the corresponding quarter of 1974. It was expected that skimmed milk powder production would increase by about 10 to 15 per cent in 1975. Domestic disappearance was estimated at 57,000 tons in 1974 of which 40 per cent had been used for human consumption. It was expected that domestic human consumption would remain almost the same in 1975 as in the previous year. Feed manufacturers would use approximately 25 per cent of the domestic disappearance but it was expected that consumption of skimmed milk powder for use as animal feed would decline in 1975. It was furthermore anticipated that stocks of skimmed milk powder at the end of 1975 would be higher than those at the beginning of the year. He suggested that the secretariat should prepare for future meetings summary tables showing the quarterly data for production, trade and stocks of skimmed milk powder based on the statistical information communicated to the secretariat by the participants in the work of the Committee.
14. He informed the Committee that his Government had released in April 1975 a statement outlining long-term Canadian dairy policy. The target support price for milk had been raised to Canadian $11.02 per 100 pounds from 1 April 1975. This support level was established as the base return under the new policy. The base return would be adjusted in relation to changing production costs by a formula which comprised an index of cash input prices and the Consumer Price Index. At the time of the annual review of Canadian Dairy Commission programmes, the target support level would be adjusted on the basis of the formula and a number of judgement factors. Among the other elements of the policy he mentioned the Market Share Quotas and said that the objective of such quotas would be to manage milk and cream supplies in line with market requirements. The aim of the Government was to increase progressively the share of producer returns coming from the marketplace. The Government had decided that the new policy would remain in force for a five-year period. This was about the right length of time to provide producers with sufficient assurances for their investment decisions.

15. The representative of Switzerland said that his country's production of milk remained almost the same in the winter of 1974/1975 as in the previous winter. Production of skimmed milk powder in the first four months of 1975 at 10,600 tons was about the same as the corresponding period of 1975. Present stocks of skimmed milk powder at 14,000 tons were very high. This level of stocks was due to a decline in the consumption of skimmed milk powder used as animal feed. There were difficulties in finding new outlets for skimmed milk powder and appeals had been made to producers to use more liquid skimmed milk and skimmed milk powder as animal feed. Prices of skimmed milk powder had dropped to Sw F 360 per 100 kgs., but a further fall in prices would be needed in order to dispose of current stocks.

16. The representative of South Africa said that since the introduction of yellow margarine, the South African Dairy Board had increased price differentials in order to induce butterfat producers to switch to the supply of whole milk. This had had the effect of increasing the cost of skimmed milk powder quite appreciably, with a consequential drop in sales. Other costs in the manufacture and distribution of skimmed milk powder had also increased. Consequently, the present price of skimmed milk powder was 108 South African cents per kg. as compared to 48 cents per kg. in 1972. As no special price existed for skimmed milk powder used for animal feed, manufacturers had resorted to other sources of protein such as butter-milk powder. The high prices had also adversely affected the sales of skimmed milk powder in consumer packs. It was doubtful whether further supplies would need to be imported during the remaining part of the year.

17. The representative of New Zealand said that two factors were behind the present high level of total stocks of skimmed milk powder. Firstly, the present rather strong market for butter was influencing the skimmed milk powder market. Secondly,
the use of skimmed milk powder as animal feed had diminished considerably partly
because of the decline in prices of alternative protein forms and partly because
of the failure of skimmed milk powder prices to adjust to this new situation.
The Committee should keep the stocks situation under careful review. This would
allow the Committee to discuss the possibilities of disposing of present stocks
in an orderly fashion.

18. The Committee requested the secretariat to prepare for its future meetings
summary tables showing the quarterly data for production, trade and stocks of
skimmed milk powder. The tables would be based on the statistical information
communicated to the secretariat by the participants in the work of the Committee.

Other business

Next meeting

19. The Committee agreed to hold its next regular meeting on 2 October 1975
subject to confirmation by the secretariat.
ANNEX/ANNEXE

List of Representatives/Liste des Représentants

Acting Chairman: Mr. P. Shanahan
Président par intérim: }

- AUSTRALIA
  - Mr. C.F. Teese

- BELGIUM
  - Mr. Hooyberghs

- CANADA
  - Mr. M. Gifford

- DENMARK
  - Mr. P. Jakobsen

- FRANCE
  - M. Raigaut
  - M. Roguet

- GERMANY, FEDERAL REPUBLIC OF
  - Dr. D. Belde

- JAPAN
  - Mr. K. Haraguchi
  - Mr. S. Igarashi

- NETHERLANDS
  - Mr. J. Loeger

- NEW ZEALAND
  - Mr. W. Falconer

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

- SOUTH AFRICA
  - Mr. Bezuidenhout

- IRELAND
  - Mr. P.F. O'Donoghue

- COMMUNAUTES EUROPEENNES COMMISSION
  - M. A. Barsuglia
  - Mr. J. Eaton

- UNITED KINGDOM
  - Mr. A.R. Cruickshank

OBSERVERS/observateurs

- AUSTRIA
  - Mr. V. Segalla

- HUNGARY
  - M. A. Hadi