Introduction

1. The Management Committee held its twenty-sixth meeting on 19 December 1975.

Adoption of agenda

2. The Committee adopted the following agenda:

1. Adoption of agenda.
2. Adoption of the minutes of the twenty-fifth meeting (MCDP/26).
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-fifth meeting

3. The Committee adopted the minutes MCDP/26.

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

4. The representative of Hungary informed the Committee that data concerning the third quarter of 1975 would be supplied shortly.
Review of the market situation

5. The representative of New Zealand said that stocks of skimmed milk powder at the end of the third quarter of 1975 declined slightly to 172,000 tons compared to 178,000 tons at the end of the preceding quarter. However, at the beginning of a new production season, current stocks, in excess of 200,000 tons had reached an alarmingly high level. Production of skimmed milk powder amounted to 43,000 tons in the third quarter. It was expected that production in the fourth quarter would reach a peak consistent with normal production trends. Export sales were very low and were only 23,000 tons in the third quarter of 1975 compared to 39,000 tons in the same quarter of 1974 and to 35,000 tons in the preceding quarter of 1975. He pointed out that present world stocks of skimmed milk powder were at an all time high, most of it being held within the EEC. Export prices of skimmed milk powder for human consumption had fallen progressively to the current level of about US$52 per 100 kgs. f.o.b. He pointed out moreover that world stocks were far in excess of what could be readily absorbed by the present level of world trade and these stocks were unlikely to be cleared through normal trading channels. In this context, his authorities were very grateful for the details which the representative of the SEC had provided at the previous meeting of the Committee on the special efforts made by the EEC to resolve the crisis in the market for skimmed milk powder. Despite these efforts, dispositions relative to stock levels had not had a noticeable impact on commercial confidence.

6. The representative of Australia said that there were discrepancies between the statistical data provided by the Australian Bureau of Census and Statistics and the Dairy Commission. These discrepancies were probably due to the different data collection methods of the Bureau and the Dairy Commission. He informed the Committee that his authorities were looking into this question with the relevant agencies concerned and he hoped that by the next meeting he would be able to clarify this matter. Current export prices of skimmed milk powder had fallen to around US$52 per 100 kgs. f.o.b. and sales were under price pressures. Despite some recent shipments which were at considerably better levels than a year earlier, the market for skimmed milk powder continued to be bearish due to the very high level of world stocks. Until these stocks could be reduced to more manageable levels it was unlikely that the market would pick up in the immediate future.

7. The representative of Japan commented on his country's statistical data for the third quarter contained in document MCDP/STAT/62/Add.2. Production and consumption of skimmed milk powder in the third quarter remained almost unchanged compared to the same quarter a year earlier. Import prices declined by 15 to 20 per cent in the third quarter as
compared to those in the second quarter of 1975. Despite this substantial decrease in import prices, imports had remained at a low level. Stocks of skimmed milk powder at the end of the third quarter were almost the same as those at the end of the second quarter of 1975.

8. The representative of Canada said that estimated milk production in his country in the first ten months of 1975 was expected to increase by 12.5 per cent as compared with production in the same period a year earlier. The market for skimmed milk powder was bearish with sales at a depressed level and with stocks continuing to cumulate. Deliveries of skimmed milk powder as food aid in the current fiscal year would amount to 7,300 tons, of which 5,000 tons would be donated to World Food Programme and the balance would be disposed of under bilateral food-aid commitments.

9. The representative of the EEC said that at 18 December 1975, total stocks of skimmed milk powder amounted to 1,119,227 tons, of which 1,096,780 tons were public and 22,447 tons were private stocks. With a view to the disposal of present surpluses, the Council had decided that skimmed milk powder taken into intervention stocks before 1 April 1974 would be sold at a reduced price for use in animal feedingstuffs; half would be for use in the Community and the remaining half for export in the form of compound feedingstuffs containing at least 50 per cent skimmed milk powder, 2.5 per cent lucerne meal and 2 per cent starch. Referring to the communications which the Commission had sent to the secretariat (MCDP/76/40 and Add.1), he informed the Committee that by mid-December, sales of skimmed milk powder at reduced prices to developing countries had reached 11,723 tons. He recalled that in order to resolve, within the Community, the crisis in the market for skimmed milk powder, the Commission had submitted to the Council of Ministers several proposals. Some of these proposals had already been adopted but others were still being considered by the Council. Noting that the current export prices of skimmed milk powder for human consumption were at around US$52 per 100 kgs. f.o.b., he said that offers had been made by some exporters at lower prices for skimmed milk powder used as animal feed. Although there were different markets for skimmed milk powder according to end-use, he wondered whether the qualities of these two powders were different or the same. Taking into account the restitution of 48 u.a. per 100 kgs. f.o.b., the Community could export skimmed milk powder at around US$50 to 52 per 100 kgs. f.o.b. This export price was the same for both human and animal consumption. The Community was endeavouring to hold prices in the world markets as high as possible and had reluctantly found it necessary to follow with a great deal of delay the decline in prices that had occurred. The Community had always hoped that the market situation in spite of the size of stocks, could be maintained. If the Community was compelled to export at prices below
US$50 per 100 kg. f.o.b. it would probably have to review its position and introduce two different restitutions for skimmed milk powder according to end-use.

10. The representative of Australia replied to the representative of the EEC that Australian export prices of skimmed milk powder for use as animal feed were in fact lower than those for human consumption. He added that sales to Japan presented no particular problem because Japan had measures in operation which enabled it to make a clear distinction between the two end-uses of skimmed milk powder. As regards sales to destinations other than Japan, his country was endeavouring to ensure that the same results were achieved.

11. The representative of New Zealand said that his country, as an unsubsidized supplier of skimmed milk powder to world market, was not willing to precipitate a significant price fall in international markets and had shown extraordinary restraint in maintaining price levels. Moreover, the fact that New Zealand had allowed its own stocks to reach unprecedented levels was an indication of its restraint and discipline in this field. For obvious commercial reasons importers were holding only minimal stocks and as long as the present stock situation continued, similar purchasing policies would prevail. As regards end-use price differentials, he agreed that there were differentials for skimmed milk powder used as animal feed. New Zealand was concerned to maintain a situation where skimmed milk powder used as animal feed was strictly controllable as such and was not spilling over into the market for human consumption. He referred to a statement made by his delegation at the previous meeting that international trade in itself was incapable of dealing with the magnitude of the problems in the market for skimmed milk powder. Therefore, the Committee should direct its attention to those areas where the decline in domestic consumption of skimmed milk powder used as animal feed, had been reflected in higher stocks.

12. The representative of Switzerland recalled that an attempt had been made in his country to reduce excessive stocks of skimmed milk powder. The Swiss authorities had decided to export, with the help of budgetary allocations, up to 10,000 tons of skimmed milk powder. The Swiss authorities had made available Sw F 14,000,000 on the condition that milk producers would themselves accept a sacrifice. The milk producers had decided to make a contribution of Sw F 5,500,000. At the same time certain domestic measures had been taken to reduce production of skimmed milk powder. As a result of all these measures, stocks of skimmed milk powder which were as high as 18,600 tons at the end of the second quarter had declined at the end of November to the more normal level of 13,000 tons.
13. The representative of the EEC informed the Committee that certain countries which were not participating in the work of the Committee had recently exported skinned milk powder at prices around US$40 per 100 kgs. f.o.b. and that even an offer had been made at the level of the minimum price of the Arrangement. He suggested that the members of the Committee might communicate to the secretariat on a monthly basis the informations in their knowledge on export prices and on the results of certain tenders. The secretariat would circulate this information to the members of the Committee. This would enable the Committee to follow much more closely the market trends.

14. The representative of Australia expressed serious concern about the recent sales made by a number of non-members of the Arrangement; these new exporters might be establishing levels of price which were inconsistent with the minimum price of the Arrangement. He suggested that it would be useful to get in touch with the representatives of these governments as to whether or not they have any interest in participating in the Arrangement. He said that the prices in the skimmed milk powder market were becoming precarious and that the Committee might reinforce its surveillance of prices.

15. The representative of Canada said that it would be appropriate to report information on prices on a broader and more frequent basis but he doubted whether this would be possible in a regular monthly basis. Such information should include extraordinary market developments such as exceptional offers or sales below the minimum price made by non-members of the Arrangement.

16. The representative of New Zealand agreed that extraordinary developments in the market of skimmed milk powder should be brought to the attention of the Committee. However, the Committee ought to bear in mind the need to safeguard the freedom of commercial operations. The procedure of information should in consequence be as informal as possible.

17. The representative of Japan doubted whether his authorities would be able to provide this kind of information even on an informal basis and he reserved his position.

18. The representative of Spain said that it would be difficult to obtain this kind of information but he would endeavour to transmit it to the secretariat as often as possible.

19. The Committee agreed that it would be appropriate to get in touch with representatives of non-member countries of the Arrangement to inform them of the purpose of the Arrangement and to invite them to consider the possible advantages of their participation in the disciplines established under the Arrangement. The Committee agreed also to reinforce its surveillance of
the level of prices and tenders. To this end, members of the Committee were invited to communicate to the secretariat on an ad hoc and informal basis, information on price developments which would be circulated to the members of the Committee.

Other business

Next meeting

20. The Committee agreed to hold its next regular meeting on 23 March 1976 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. Dymond
  Mr. I.W. McLean

- CANADA
  Mr. E. Olsen

- DENMARK

- FRANCE
  M. Roguet
  M. Colombel

- GERMANY, FEDERAL REPUBLIC OF

- JAPAN
  Mr. T. Manabe

- NETHERLANDS
  Mr. M. Hoogesterger

- NEW ZEALAND
  Mr. W. Falconer

- SUISSE
  M. F. Rammelmeyer

- SOUTH AFRICA
  Mr. Bezuidenhout

- IRELAND

- COMMUNAUTES EUROPEENNES
  COMMISSION
  M. A. Barsuglia
  Mr. B. Bevilacqua

- UNITED KINGDOM
  Mr. I.C. Redfern

OBSERVERS/OBSERVATEURS

- AUSTRIA
  Mr. Kucera

- HUNGARY
  Mr. D. Sander