Introduction

1. The Management Committee held its second meeting on 29 June 1970.

2. All members of the Committee were represented at the meeting. The following observers were also represented: Austria, Ireland, United States.

Adoption of agenda

3. The Committee adopted the following agenda:

   (a) Adoption of minutes of first meeting (MCDP/l).
   (b) Participation of observers.
   (c) Establishment of register of processes and control measures (MCDP/l, paragraph 25).
   (d) Export of dyed skimmed milk powder for animal feed (MCDP/W/l).
   (e) Information required by the Committee under Article IV or other Articles of the Arrangement (MCDP/l, paragraph 26; MCDP/W/2).
   (f) Establishment of rules of procedure (MCDP/l, paragraph 27).
   (g) Status of contracts concluded before entry into form of Arrangement (MCDP/l, paragraph 27).
   (h) Review of market situation (MCDP/l, paragraph 27).
   (i) Other business.

Adoption of minutes of first meeting

4. The minutes of the first meeting held on 14 May 1970 (MCDP/l) were adopted.

5. The Committee agreed that the adoption of the minutes of the previous meeting should be maintained on a regular basis on the agenda of each meeting.

Participation of observers

6. The representative of Ireland confirmed his authorities' acceptance of the Committee's invitation to take part in the work of the Committee as an observer.
Establishment of register of processes and control measures

7. The Committee approved the form of the Register of Processes and Control Measures as issued in document MCDP/2. It noted that the Register was open-ended so that further processes and control measures could be recorded in it. It decided that the Register should be derestricted so as to be accessible to the trade.

8. The representative of the European Economic Community, noting that members had been requested to inform the secretariat of the denaturing processes they wished the committee to examine with a view to approving them and recording them in the Register (MCDP/1, paragraph 25), asked whether it was necessary for his authorities to submit the descriptions of the denaturing processes, given that they were contained in Regulation No. 1106/68 and other Regulations all of which were published in *Journal officiel des Communautés européennes*. He added that skimmed milk powder, even when denatured according to these processes, was being exported from the Community at or above the minimum price. The Committee was of the view that as in these circumstances the Community did not require a derogation, there was no need for it at present to submit its denaturing processes to the Committee for approval.

Export of dyed skimmed milk powder for animal feed

9. The Committee considered a request by *Australia* (MCDP/3/1) to approve and record in the Register for the purposes of paragraph 5 of Article III the process of dyeing skimmed milk powder described in the document.

10. In reply to questions, the representative of *Australia* explained that the request was intended to apply to the process as such and not in respect of any particular market. *Australia* exported the powder so processed not only to Singapore and Malaysia but also to Indonesia, New Guinea, Taiwan and the Republic of Vietnam. The first two sentences of the communication, which referred to the first two destinations were merely descriptive and for information. They did not form part of the request proper and should be regarded as deleted, together with the word "accordingly" in the following sentence. In reply to a further question he said that Australian export prices of such powder would largely be determined by the price at which buttermilk powder, which was outside the scope of the Arrangement, was being sold by others; a recent sale to Singapore and Malaysia had been at around $17/100 kgs.

11. The representative of the United Kingdom expressed the view that a denaturing process should not be approved in general but only with respect to specific markets. He was ready to approve the process in respect of exports to the six destinations listed by the representative of Australia.

12. The representatives of Denmark, EEC, Japan and South Africa supported the Australian view that if a technical process were accepted as sufficiently stringent for the purpose of Article III, paragraph 5, a derogation should be accorded with general geographical application. The representative of Japan added that an
importing country was not obliged to accept an exporting country's denaturing processes if the former's rules did not allow them. The representative of South Africa pointed out that in fact the exporting country's colouring process would assist the importing country in applying its own control measures.

13. The representative of New Zealand considered that there were two aspects to a derogation in respect of paragraph 5 of Article III relating to a process. One was the approval of the process and the inscription of the technical requirements in the Register. The second was that of any other provisions that the Committee might wish to write into the derogation. As regards the request by Australia, he stated he could approve the process in respect of exports to Singapore and Malaysia. He would however have to seek authority as regards the inclusion of the four remaining destinations.

14. The Committee approved the process specified in the request by Australia (MCDP/W/1) and, subject to approval by New Zealand as to the destinations listed additional to Singapore and Malaysia, agreed to record it in the Register of Processes and Control Measures, in accordance with paragraph 5 of Article III of the Arrangement, in respect of the following destinations: Singapore, Malaysia, Indonesia, the territory of Papua - New Guinea, China (Taiwan) and the Republic of Viet-Nam.

15. The Committee agreed that it might revert at a later meeting to the more general question as to whether a derogation granted in respect of a process for the purposes of paragraph 5 of Article III applied to exports to all destinations or whether the scope of such a derogation could or should be limited to specific destinations.

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

16. Members of the Committee gave preliminary comments on the draft questionnaire prepared by the secretariat (MCDP/W/2). The representatives of the European Economic Community and Australia suggested that price data should be furnished more frequently than once a quarter; once a month was suggested. The representative of the United Kingdom said he would be able to supply final data within eight weeks of the end of each quarter, and suggested that this figure replace the ten-week requirement in the draft. The representative of Canada, noting that according to paragraph 4 participants would not be expected to report on individual transactions as regards prices in international trade, said he assumed that this also applied to data on exports and imports. Some other representatives concurred. The representative of the EEC said that the requirement in that paragraph for data to be sufficiently detailed also applied to exports and imports.

17. As regards Table A, several members doubted the need for production data to be broken down into roller and spray. The representative of the United Kingdom said he might have difficulties in providing an exact breakdown of domestic consumption by end-use, while the Australian representative doubted the need for consumption data as such. The representative of the EEC said it might be useful to have opening stock figures where they did not coincide with closing stocks.
18. As regards Tables B: Exports, C: Imports and E: International Prices, the representative of the EEC suggested a breakdown between the product with or without added sugar, and a breakdown between packages of less than 5 kgs. and bulk. The Committee noted that provision for type of packaging had already been made in the international price table. The representative of the United Kingdom suggested that provision should be made for covering also other products, which either contained skimmed milk powder or competed with it, and gave filled milk, buttermilk and evaporated skimmed milk as examples.

19. Some representatives doubted the need for Table D: Prices in the Domestic Market, while others wished to retain it. The suggestion was made that if the table were dropped, the Committee might request such information as and when it was needed.

20. The question was raised as to what information observers would be required to, or could, furnish. The representatives of the observers said they would refer the matter to their authorities.

21. The Committee agreed that any additional comments on the draft questionnaire should reach the secretariat by 24 July, to enable it to issue a revision taking into account all comments as far as possible. Given that the revised questionnaire was not likely to differ substantially from the original draft in document MCDP/W/2, the Committee further agreed to request members and observers to furnish information on that basis, in particular in respect of sections B, C and E, for at least up to and including the second quarter of 1970, to reach the secretariat by 1 September 1970.

Establishment of rules of procedure

22. The Committee agreed that it was not necessary to establish rules of procedure at the present stage, and that any such rules could be agreed upon as and when the need arose during the course of the Committee's work.

Status of contracts concluded before entry into force of Arrangement

23. The representative of New Zealand said that, according to information dated 26 June 1970, 4,539 tons of skimmed milk powder had still to be delivered under this heading, namely 3,886 tons during the period July-September and 653 tons during the period October-December of this year.

24. The representative of the EEC said that 17,900 tons had been delivered by 31 May 1970, that an invitation to tender for 363 tons had expired on 30 June and that there was still an invitation to tender for 700 tons which was due to expire on 31 December 1970. The conversations engaged in with Brazil for the application of the Arrangement had led to the signature of a contract with the school authorities relating to the adjudication of 20,000 tons of skimmed milk powder, of which 5,000 tons were to be delivered before 15 July and 15,000 tons before 26 November 1970.
25. The representatives of Australia and Canada said that they would communicate the required information as soon as it reached them.

Review of market situation

26. The representative of the EEC said that the Community's production during the first five months of 1970 had been not greater than that in 1969, and that the trend in consumption was satisfactory. Thanks to internal sales at a reduced price of milk powder for feeding pigs and poultry, stocks had fallen considerably at the rate of some 10,000 tons a month. Whereas they had amounted to 282,000 tons on 1 June 1969, they were 213,000 tons on 1 June 1970. Prices within the EEC had remained at the level of the intervention price.

27. The representative of Denmark observed that the situation in the Danish market had been stable during the past two years. The imports of skimmed milk powder for animal feeding had amounted in 1968 and 1969 to 17,000-18,000 tons and would probably remain at that level in 1970. Exports destined mainly for human consumption had remained negligible. The special sales to India had come to an end.

28. The representative of Australia pointed out that stocks had decreased, falling from 19,397 tons (end of January) to 16,459 tons (end February), 16,160 tons (end March) and 10,961 tons (end of April), but that that fall partly reflected seasonal variations. He stressed the fact that the market was at present favourable for casein, which led to an increased use of milk in manufacturing that product to the detriment of production of skimmed milk powder.

29. The representative of Canada stated that stocks had fallen as follows in 1970:

<table>
<thead>
<tr>
<th></th>
<th>Millions of pounds</th>
<th>Thousands of tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>January (beginning of period)</td>
<td>122.1</td>
<td>55.4</td>
</tr>
<tr>
<td>February</td>
<td>107.6</td>
<td>48.8</td>
</tr>
<tr>
<td>March</td>
<td>92.6</td>
<td>42.0</td>
</tr>
<tr>
<td>April</td>
<td>68.6</td>
<td>31.1</td>
</tr>
<tr>
<td>May</td>
<td>48.4</td>
<td>22.0</td>
</tr>
<tr>
<td>June</td>
<td>41.2</td>
<td>18.7</td>
</tr>
</tbody>
</table>

On 1 June 1969 stocks reached 138.5 million pounds (62.8 thousand tons).

30. The representative of the United Kingdom, mentioning that the situation in the United Kingdom appeared satisfactory, noted that production would probably be at a level slightly lower than that of 1968 and similar to that of 1969, namely a little under 90,000 tons. Stocks at the beginning of the year amounted to 30,300 tons and would probably be smaller at the end of the year, namely a little
less than 30,000 tons. It was expected that domestic consumption would exceed that of preceding years, reaching the record figure of 105,000 tons. Although the milk position appeared more satisfactory than in the preceding years, it was possible that imports of products such as filled milk might be detrimental to the equilibrium of the market.

31. The representative of South Africa said that the drought had compelled his country to have recourse again to imports, which took place at prices equal to or exceeding the minimum price.

32. The representative of New Zealand observed that the Arrangement appeared to be operating satisfactorily. He gave the figures for stocks for export:

<table>
<thead>
<tr>
<th>Month</th>
<th>Thousands of tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969 - December (end of period)</td>
<td>100.9</td>
</tr>
<tr>
<td>1970 - January</td>
<td>95.5</td>
</tr>
<tr>
<td>February</td>
<td>103.4</td>
</tr>
<tr>
<td>March</td>
<td>87.4</td>
</tr>
<tr>
<td>April</td>
<td>76.7</td>
</tr>
<tr>
<td>May</td>
<td>65.3</td>
</tr>
</tbody>
</table>

There had been a marked fall in New Zealand production for 1970, in particular from February to May, because of the drought; it would probably be some 25,000 tons less than that of the previous season.

33. The representative of Ireland said that production in Ireland did not appear to be reaching the level of the previous year and that stocks were slightly less than their 1969 level.

34. In reply to a question concerning sales at a price less than the minimum price, the representative of the EEC recalled that limited amounts of skimmed milk powder, bought before the application of the Arrangement, were still in storage outside the customs territory of the EEC, and that it was difficult to foresee how and when it would be disposed of.

Other questions

35. It was decided that the date of the next meeting would be 15 September 1970.