Arrangement Concerning Certain Dairy Products

MANAGEMENT COMMITTEE

Minutes of the Thirty-First Meeting
held on 16 July 1976

Introduction

1. The Management Committee held its thirty-first meeting on 16 July 1976.

Adoption of agenda

2. The Committee adopted the following agenda:

   1. Adoption of agenda

   2. Adoption of the minutes of the thirtieth meeting (MCDP/32)

   3. Sales of skimmed milk powder for animal feed purposes: communication received from the delegation of Switzerland

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

      (a) Information under the Decision of 10 May 1976

      (b) Other information

   5. Other business.

Adoption of the minutes of the thirtieth meeting

3. The representative of Canada requested the following modification to the minutes MCDP/32: in paragraph 17, before the last sentence, insert the following sentence: "In addition, production within 9.5 billion pounds is subject to a penalty of Can$1.35 per hundredweight". The Committee agreed to this modification and adopted the minutes MCDP/32 as amended.
Sales of skimmed milk powder for animal feed purposes: communication received from the delegation of Switzerland

4. The Committee had before it a request by Switzerland concerning exports intended for animal feed, in pursuance of Article III, paragraph 5 of the Arrangement and paragraph 2 of the Decision of 10 May 1976 (MCDP/30).

5. The representative of Switzerland said that the request dated 15 July 1976 had been submitted in pursuance of the provisions of Article III, paragraph 5 of the Arrangement and paragraph 2 of the Decision by the Management Committee of 10 May 1976 (MCDP/30). Although Switzerland was not a traditional exporter of skimmed milk powder, in the second half of the preceding year it had exported on an exceptional basis approximately 10,000 tons of skimmed milk powder, in the context of a campaign to reduce excessively large stocks. During the current year, the difficulties that other members of the Committee were encountering had also affected Switzerland whose stocks of skimmed milk powder were at present in the region of 20,000 tons. In view of the fact that it seemed difficult to dispose of those stocks on the market for human food at prices in excess of US$35 per 100 kgs., Switzerland was envisaging selling some 15,000 tons of skimmed milk powder for animal feed at prices below the minimum price established under the Arrangement. For reasons of equity and in accordance with paragraph 2 of the Committee's Decision of 10 May 1976, Switzerland wished to associate itself in the disciplines established under paragraph 4 of the Decision. The Swiss representative requested the Committee to record in the Register the Swiss processes and control measures which would be identical to those already recorded in respect of Australia (L/3552/Add.5).

6. The Management Committee, accepting the suggestion that the Swiss processes and control measures would be the same as those of Australia (L/3552/Add.5), approved the processes and control measures submitted by Switzerland and decided to record them in the Register on 16 July 1976 in accordance with the conditions and modalities stipulated in the Decision by the Committee dated 10 May 1976 thus enabling Switzerland to resort to the provisions of Article III, paragraph 5 of the Arrangement.

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

(a) Information under the Decision of 10 May 1976

7. The Committee had before it a summary table prepared by the secretariat for the convenience of delegations, based on communications received in pursuance of the Decision of 10 May 1976 (MCDP/W/58).
8. Referring to the information communicated by Canada and New Zealand, the representative of the EEC asked the representatives of these countries whether they could indicate the prices of skimmed milk powder shipped by Canada to Taiwan and Bulgaria and by New Zealand to Yugoslavia under the Decision of 10 May 1976.

9. The representative of New Zealand replied that his authorities were not in favour of reporting price details of sales effected under the Decision of 10 May 1976, which in any case said that prices would be indicated to the extent possible. His authorities considered that this information had considerable commercial significance. If the price details of recent sales were given a wide circulation that price would quickly become a maximum for any future sales.

10. The representative of the EEC said that where the Community was concerned the price at which transactions were effected could be ascertained very easily, since the intervention price and the amount of the refund for skimmed milk powder were published in the Official Journal. For reasons of equity, the Committee should be informed of the prices at which other countries were carrying out their transactions. He requested the representative of New Zealand to indicate at least an order of magnitude regarding prices, in view of the fact that New Zealand wished the information to remain confidential. Such minimum information on prices seemed to his delegation essential so that the Committee might be kept informed concerning implementation of the Decision dated 10 May 1976.

11. The representative of Australia supported the views expressed by the representative of the EEC. His delegation could understand the sensitivity of New Zealand about this question of prices but he hoped that New Zealand would reconsider its position and provide at least an indication on price levels.

12. The representative of Canada said that his authorities had not yet formed any policy with respect to the reporting of prices of skimmed milk powder shipped in pursuance of the Decision of 10 May 1976. He added that he had received no instructions on the prices at which his country had effected the recent sales to Taiwan and Bulgaria in pursuance of the Decision of 10 May 1976. However, he would endeavour to inform the Committee at the next meeting on his country's definitive position as regards the reporting of prices of skimmed milk powder shipped under the Decision.

13. The representative of New Zealand said that he would report to his authorities the observations made by the representatives of the EEC, Australia and Canada.
14. It was suggested that at the request of any participant submitting information on prices, such information could be distributed on a very confidential basis to designated representatives and that any discussion relating to prices could be omitted from the minutes of the meeting.

15. The representative of the EEC said that although the transactions in skimmed milk powder for animal feed to Spain and Japan were not being made under the Decision of 10 May 1976, it was important for the Committee's work to have as much information as possible concerning all current transactions in skimmed milk powder intended for animal feed. It might be useful, furthermore, if exporting participants were to submit to the secretariat each fortnight data concerning their transactions in skimmed milk powder for animal feed in respect of Spain and Japan, indicating the tonnages and, to the extent possible, prices. In that way, the Committee could be informed as promptly as possible of the availabilities remaining after sales of the product for animal feed.

16. The representatives of Japan and Spain recalled that the Decision should not prejudice in any way the existing derogations of their countries. They added that they would continue to submit every quarter detailed information on import prices for skimmed milk powder imported under derogation for animal feed purposes. However, they would have no objection to a submission each fortnight by the exporting participants of the data relating to their shipments to Japan and Spain.

17. The representatives of Australia, Canada and New Zealand said that they were ready to submit each fortnight the data relating to their shipments of skimmed milk powder for animal feed purposes to Japan and Spain.

18. The Committee agreed that the exporting participants would submit to the secretariat, each fortnight, in addition to the information in pursuance of the Decision of 10 May 1976, the data relating to their exports of skimmed milk powder to Japan and Spain under the derogations of these two countries. The Committee also agreed that the fortnightly data submitted to the secretariat by each participant would cover its transactions from the first to the fifteenth and from the sixteenth to the end of each month.

(b) Other information

19. The representative of the EEC commented on the statistical data that the Community would shortly be communicating to the secretariat in respect of the first quarter of 1976. In that period, production and consumption of skimmed milk powder had reached 375,856 and 257,584 tons respectively. Imports had reached 121 tons, while exports had totalled 49,039, of which 7,540 tons for food aid. Stocks of the product which had been at the level of 1,112,485 tons at the beginning of the year,
had reached 1,181,839 tons at the end of the first quarter. Thereafter they had continued to rise, and at 10 July 1976 had amounted to 1,370,000 tons. With respect to compulsory mixing of skimmed milk powder in compound feedingstuffs, contracts covered the amount of 210,000 tons. Despite the drought, milk production in the Community in the first half of 1976 had been 5 per cent above the previous year's level for that period. In the second half of 1976, milk production was expected to be about 4 to 5 per cent lower than in the corresponding period of 1975. On that assumption, total milk production in 1976 was expected to be 1 to 2.5 per cent above the level for the preceding year. Even according to the most optimistic estimates, however, total milk production in 1976 was not likely to exceed the preceding year's level. Commenting on the situation in the international protein market, the representative of the EEC observed that Peru was reported to have completed its sales of fish meal and Brazil to have suspended its soyabean exports for a few days. Current prices of soyabean meal were US$234 per ton c.i.f. Rotterdam, and the forward price for the three-month period November-January was US$246 per ton. Any additional information that the United States representative could give concerning production and prices of soyabean meal would be welcomed by the Committee.

20. The representative of the United States informed the Committee on the expected soyabean situation in the United States in the year 1976/77 (starting on 1 October 1976), based on estimates made on 23 June 1976. It was estimated that the planted and harvested areas would be 20 million hectares and 19.5 million hectares respectively. The yield per hectare would amount to 1.88 tons. Beginning stocks were expected to amount to 5.4 million tons and production was forecast to amount to 36.7 million tons. Hence, total supply of soyabees would reach 42.2 million tons. Domestic crushings of soyabees was expected to amount to 22.7 million tons. Exports were expected to reach 14.5 million tons. The use for seed, feed and other residual uses was estimated at 2.2 million tons. Hence, total disappearance was expected to amount to 39.5 million tons. Consequently, ending stocks would amount to 2.7 million tons. As far as soyabean oil was concerned, beginning stocks at 1 October 1976 were expected to amount to 565,000 tons. Production would amount to 4,053,000 tons. Hence, total supply would reach 4,618,000 tons. Domestic use and exports were expected to amount to 3,493,000 tons and 454,000 tons respectively. Therefore, ending stocks of soyabean oil would reach 607,000 tons. Domestic use and exports were expected to amount to 13,608,000 tons and 4,309,000 tons respectively. Therefore, ending stocks of soyabean oil would reach 372,000 tons. Recent prices for soyabees quoted in Chicago were US$7.14 per bushel; soyabean oil prices were around US$533.90 per metric ton and soyabean meal prices were at US$205 per short ton f.o.b.
21. The representative of Canada informed the Committee that Canadian production of skimmed milk powder in the first five months of 1976 amounted to 73,000 tons as compared to 55,000 tons produced in the corresponding period of the preceding year. Stocks of skimmed milk powder at 1 June 1976 increased to 157,000 tons as compared to the stocks of 75,000 tons at the same date a year earlier.

22. The representative of New Zealand commenting on certain points raised by the representative of the EEC at the previous meeting (MCDP/32, paragraph 8) and on recent information on price developments for skimmed milk powder communicated by the EEC (MCDP/IV/56), pointed out that in a recent sale of skimmed milk powder for human consumption, the price quoted by the New Zealand Dairy Board had been US$350 per ton f.o.b. New Zealand normally quoted for Japanese tenders on an f.o.b. basis. He confirmed that the New Zealand Dairy Board did not sell skimmed milk powder for human consumption at prices below the minimum price provided for in the Arrangement. In recent weeks, there had been a definite improvement in the market of skimmed milk powder for animal feed purposes reflecting probably the price increases being experienced for competing protein sources such as soyabean meal. However, the New Zealand Dairy Board had incurred substantial losses on sales of skimmed milk powder for animal feed purposes but such sales had helped to reduce stocks and to alleviate a critical storage problem.

23. The representative of Australia commenting on certain points raised by the representative of the EEC at the previous meeting (MCDP/32, paragraph 8) pointed out that all sales of skimmed milk powder for human consumption effected by the Australian Dairy Corporation were at or above US$350 per ton f.o.b. and contracts were entered into on an f.o.b. basis.

24. The representative of Japan agreed with the statements of the representatives of New Zealand and Australia. New Zealand and Australia had in fact offered skimmed milk powder for human consumption at US$350 per ton f.o.b. and contracts had been entered into on an f.o.b. basis. However, on a c.i.f. basis, recent imports had been effected at prices ranging between US$380 and US$400 per ton.

25. The representative of the EEC thanked the United States representative for the information he had given concerning the soyabean situation in the United States, and the representatives of New Zealand and Australia for the formal assurances they had given that they had not exported skimmed milk powder for use as human food at prices below the minimum price established under the Arrangement.

Other business

26. The Committee agreed to hold its next special meeting and its next regular meeting on 27 September 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
  Mr. I.R. Rischbieth
  Mr. R. Moore

- BELGIUM
  Mr. M. Vandeputte

- CANADA
  Mr. M. Gifford
  Mr. I. McLean
  Miss V. McCormack

- DENMARK
  Mr. P. Poulsen

- COMMUNAUTES EUROPEENNES COMMISSION
  Mr. A. Barsuglia

- GERMANY, FED. REP. OF
  Mr. G. Langer

- ITALY
  Mr. G. Giorgieri

- JAPAN
  Mr. S. Kagawa
  Mr. T. Manabe
  Mr. K. Ohga

- NETHERLANDS
  Mr. J. Logger

- NEW ZEALAND
  Mr. A.H. McPhail
  Mr. K.C. Durrant

- SOUTH AFRICA
  Mr. D.J. Bezuidenhout

- SPAIN
  Mr. A. Iranzo

- SUISSE
  Mr. B. Eberhard
  Mr. R. Beuret

- UNITED KINGDOM
  Mr. I.C. Redfern

OBSERVERS

- AUSTRIA
  Mr. V. Segalla

- UNITED STATES
  Mr. E. Koenig