Introduction

1. The Management Committee held its thirty-sixth meeting on 17 December 1976.

Adoption of agenda

2. The Committee adopted the following agenda:

1. Adoption of agenda

2. Adoption of the minutes of the thirty-fifth meeting (MCDP/37)

3. Information required by the Committee under Article IV or other Articles of the Arrangement:
   (a) General information
   (b) Information under the Decision of 10 May 1976

4. Review of the market situation

5. Other business

Adoption of the minutes of the thirty-fifth meeting (MCDP/37)

3. The Committee adopted the minutes in document MCDP/37.
Information required by the Committee under Article IV or other Articles of the Arrangement

(a) General information

4. The Committee examined a communication from the Permanent Mission of Spain, distributed in document MCDP/W/69, concerning supplementary control measures applied by the Spanish Government to skimmed milk powder for animal feed. The representative of Spain proposed that the Committee adopt the control measures as supplementary to those already recorded in document L/3552/Add.4.

5. Referring to the control measures contained in document MCDP/W/69, the representative of Australia said that his country had no objection to these measures since they seemed to ensure an adequate safeguard control. Moreover, Australia had not regarded Spain as a traditional export outlet for skimmed milk powder. However, he stated that his delegation would like to raise a general question concerning a sale of Canadian skimmed milk powder for purposes of animal feed to Spain. There were strong suspicions that this powder might have been diverted via the Canary Islands to Cuba for sale ultimately as edible skimmed milk powder. He wondered whether it would be possible to obtain some information from the representative of Spain as to whether or not there were provisions within the present control systems applied by Spain to imports of skimmed milk powder intended for animal feed, to prevent the possibility of using a free port such as the Canary Islands to circumvent the purposes of the Arrangement.

6. Referring to the information that the representative of the EEC had requested at the Committee's two preceding meetings (MCDP/36, paragraph 10 and MCDP/37, paragraph 5), the representative of Spain stated that he had transmitted the remarks made by the EEC representative concerning recent imports of skimmed milk powder by Spain to his national authorities. The latter had found that the quarterly statistical data furnished by Spain (document MCDP/STAT/82/Add.1), showed import figures very much higher than those for the preceding years, and had tried to ascertain whether those data corresponded to reality or whether there had been any diversion. They had found that the method used in Spain for collecting statistics on skimmed milk powder was not ideal. Indeed, the statistical data furnished to the Committee for the first half year corresponded to import declarations submitted to the Ministry of Trade by importers. It had been tempting to infer that all those import declarations had been followed by effective imports, which had not always been the case. Thus, the figures published by the General Directorate of Customs, which reflected actual imports, showed that imports in the first quarter of 1976 had amounted to only 2,943 tons, whereas the figures communicated to the Committee had shown imports as amounting to 18,177 tons. Furthermore, the General Directorate of Customs had stated that imports in the first half of 1976 had amounted to 17,623 tons and that by the end
of the third quarter of 1976 they had reached 32,500 tons. Lastly, it was estimated that for the year 1976 actual imports by Spain would not exceed some 40,000 tons. Although that amount of approximately 40,000 tons would be double the quantity imported in the preceding year, it was nevertheless smaller than that resulting from the data based on import declarations that his delegation had communicated for the first six months of 1976. The Spanish delegation had asked the Ministry of Trade to communicate to the Committee in future only the import figures collected by the General Directorate of Customs. Furthermore, the data already communicated to the secretariat for the first six months of 1976 would be replaced by other data reflecting actual imports. The Ministry of Trade and the Ministry of Agriculture did not believe there had been any diversion. Control measures were fairly stringent in Spain and the Spanish administration, which was accustomed to operating them, had been still more vigilant. As to any possibility of the free-port régime in the Canary Islands affording an opportunity for diversion, the Spanish representative stated that he would forward to his national authorities the remarks made on that subject by the Australian representative.

7. The representative of the EEC enquired whether the Spanish authorities required any security in respect of an import licence application. In addition, he drew the Committee's attention to Annex 3 of the control measures applied in Spain to skimmed milk powder imported for purposes of animal feed, as set forth in the register of process and control measures (document L/3552/Add.4). That text, entitled "Circular on the inspection and control of end-use of denatured milk powder" provided in particular that all necessary information was to be obtained from importers regarding the end-use for which imported denatured milk powder was intended, in order that the report on importation and end-use of denatured milk powder could be prepared in full detail. It might perhaps be sufficient to centralize all those reports in order to ascertain actual imports of denatured skimmed milk powder intended for animal feed.

8. The representative of Spain stated that he would transmit to his national authorities the suggestions made by the representative of the EEC. Control of the end-use of denatured milk powder imported for animal feed and the collection of customs statistics were two quite different operations. An importer who went to the Ministry of Trade in order to make an import declaration was not required to deposit any security. With respect to the information communicated to the Committee by some exporting participants concerning their sales of skimmed milk powder to Spain under the provisions of document L/3552/Add.4, a large amount of that skimmed milk powder was probably still on customs premises and accordingly had not yet been shown in the statistics of the General Directorate of Customs; it would no doubt be cleared through customs only as and when necessary.
9. Referring once more to the provisions of Annex 3 of document L/3552/Add.4., the representative of the EEC reiterated his suggestion that the data communicated to the Committee concerning denatured milk powder imported into Spain for animal feed should be those collected by the Assay Section on the basis of the report on the importation and end-use of denatured milk powder. In addition, he asked whether the Spanish representative could indicate to the Committee the period of validity of import applications presented to the Ministry of Trade, and likewise what links there were between the services responsible for granting import licences and the Assay Section, which had the task of verifying the end-use of denatured milk powder imported for animal feed.

10. The representative of Spain replied that an import declaration was valid for six months. At the Committee's next meeting he hoped to be able to provide further clarifications regarding recent imports of skinned milk powder for use as animal feed and concerning the suggestion just made by the EEC representative.

11. Referring to the request of the representative of Spain to record in the Register the control measures contained in document MCDP/W/69, the representatives of Canada and New Zealand said that their authorities had not yet received a copy of that document. Therefore, they suggested that this issue might be settled at the next meeting of the Committee.

12. The representative of the EEC said that his delegation had no objection to the control measures set forth in document MCDP/W/69 being included in the register of processes and control measures, and he hoped that they would help to improve the methods for verifying the end-use of skimmed milk powder imported into Spain.

13. In view of the fact that the authorities of certain participants had not yet taken cognizance of the Spanish control measures set forth in document MCDP/W/69, the Committee agreed to revert to the matter at its next meeting with a view to deciding whether or not those measures should be included in the register of processes and control measures. At that meeting the Committee will likewise revert to the question of recent imports into Spain of skimmed milk powder intended for animal feed.

(b) Information under the Decision of 10 May 1976

14. The Committee had before it a summary table (MCDP/W/58/Rev.4.) prepared by the secretariat and based on communications received in pursuance of the Decision of 10 May 1976. It also had before it a non-exhaustive list, for some importing countries, of competent authorities under paragraph 4(c)(i) of the Decision of 10 May 1976 (MCDP/W/57/Rev.2), revised by the secretariat in response to the request made by the Committee at its meeting of 22 November 1976 (MCDP/37, paragraph 19).
15. Referring to the communication by Canada which had been circulated in docu-
ment MCDP/W/54/Add.16, the representative of the EEC noted that a large number of
transactions were still taking place with the Philippines as destination. Canada
had not yet filed with the secretariat any attestation issued by a suitable com-
petent authority of the Philippines.

16. The representative of Canada said that the Canadian Dairy Commission would
instruct traders to use the list of competent authorities when finalized as the
sole list of competent authorities of countries of import. Moreover, Canada would
continue its practice of affecting its sales conditional on an attestation being
obtained from an appropriate competent authority. The information communicated in
MCDP/W/54/Add.16 concerned contracts and the shipments to the Philippines had not
been effected. He recalled that the Canadian competent authorities were at present
attempting to obtain a statement provided by the Department of Trade of the
Philippines. He hoped that the question of an appropriate competent authority of
the Philippines which could issue an attestation would be solved soon.

17. The representative of New Zealand said that his delegation wished to welcome
the statement made by the representative of Canada that the Canadian traders would
be instructed to use the list when finalized as the sole list of suitable competent
authorities and that the Canadian sales would be effected conditional on obtaining
proper attestations.

18. The representative of the United Kingdom recalled that at the previous meeting
the representative of Canada had wished to have some information from members of
the Management Committee on a suitable competent authority of Hong Kong which could
issue an attestation (MCDP/37, paragraph 10). He informed the Committee that there
seemed to be no mechanism whereby the Hong Kong authorities could supervise the
end-use of imported skimmed milk powder. He added that his delegation could not
reasonably suggest any competent authority of Hong Kong which could be included in
the list MCDP/W/67/Rev.2.

19. The representative of Canada said that he would transmit to his authorities
the information on Hong Kong given by the representative of the United Kingdom.

Review of the market situation

20. The Committee had before it a communication from the New Zealand Permanent
Mission giving additional information concerning the proposed concessional sale by
New Zealand to Egypt of 8,500 tons of skimmed milk powder (MCDP/W/62/Add.1). In
addition, the Committee had before it a document containing three summary tables
which the secretariat had prepared and up-dated for the information of delegations,
concerning food aid in the form of skimmed milk powder (MCDP/W/65/Rev.1).
21. The representative of Australia said that the Australian Dairy Corporation was currently taking a rather optimistic view of the market for skimmed milk powder. In Australia, supplies of skimmed milk powder were very restricted and demand was running well in excess of supply. Moreover, there were strong indications that buyers were now prepared to pay higher prices for skimmed milk powder. In line with this general movement, the Australian Dairy Corporation was now selling skimmed milk powder on a spot basis at around US$400 per metric ton f.o.b. In these circumstances, the Australian Dairy Corporation was of the view that the Committee should begin to have a look at the appropriateness or otherwise of the present minimum price of US$350 per ton f.o.b. The minimum price of the Arrangement was not considered to be realistic, in the sense that, given inflation and other cost pressures, the current minimum price could no longer provide a reasonable return to producers. Bearing these points in mind his delegation would like to suggest that the Committee might contemplate an increase in the minimum price to about US$500 per ton f.o.b. He recognized that this proposal was being made in a situation where one of the major participants in the Arrangement was still holding very considerable stocks. However, he invited the other members of the Committee to comment on this proposal.

22. The representative of New Zealand informed the Committee that the proposed concessional transaction referred to in document MCDP/W/62 had been notified to the FAO Committee on Surplus Disposal (CSD) in accordance with Article III:8 of the Arrangement. There had been no objection to this transaction in the CSD. An agreement between the Governments of Egypt and New Zealand had been concluded on the basis set out in document MCDP/W/62. He said that the market situation for skimmed milk powder had improved somewhat during the third quarter of 1976 and New Zealand stocks had fallen to more normal levels. At the end of the third quarter of 1976, stocks had amounted to 165,000 tons as compared to 230,200 tons at the end of the preceding quarter. This decline in stocks levels had been due to the clearance of aged skimmed milk powder for animal feed purposes. However, since the New Zealand Dairy Board had taken the decision to quote at US$350 per metric ton f.o.b. for future business, no sales had been made at that price. On the other hand, demand for fresh New Zealand skimmed milk powder production for human consumption was firm but prices remained heavily depressed due to the size of surpluses in other exporting countries. Prices had moved marginally above the minimum price of the Arrangement but a further price recovery depended on efforts by the EEC and Canada to bring their stock levels under control. Referring to the proposal made by the representative of Australia, he said that New Zealand was ready to consider an increase in the minimum price, since the minimum price of US$350 per metric ton f.o.b. was not a realistic price and did not provide a reasonable return to efficient producers.
23. The representative of Spain pointed out that the minimum price under the arrangement could not be considered a selling price. It had been fixed so that in the event of a slump in prices they would not fall below the floor price. Furthermore, the current change in the supply and demand situation on the market did not necessarily mean that the minimum price should be increased.

24. The representative of Japan said that given the situation in the dairy products market his delegation did not believe it necessary to increase the minimum price, all the more so existing stocks were very large. He would inform his national authorities of the proposal made by the Australian representative and they would no doubt object to any increase in the minimum price.

25. The representative of Australia said that the minimum price ought to reflect in some measure the state of the market and that there ought to be a sensible and reasonable relationship between the minimum price and the market price. He recognized that one should not conclude that the minimum price should go up automatically with market prices but he pointed out that if the difference between the minimum or floor price and the market price were too wide, the minimum price would undermine rather than support the marketing of the product.

26. The representative of Canada said that he had no instructions on the question of a possible modification of the minimum price and that he would convey to his authorities the proposal made by the representative of Australia. He said that at 1 November 1976 stocks of skimmed milk powder had increased by 7 per cent as compared to stocks at 1 November 1975 and amounted to 364.6 million pounds (approximately 165,400 tons). It was estimated that industrial milk production in Canada for the period April to December 1976 had declined by 11.7 per cent as compared to the same period a year earlier. Production of skimmed milk powder in Canada for the period January to September 1976 had declined by 6 per cent as compared to the same period a year earlier. It was expected that Canadian stocks of skimmed milk powder would decrease in the coming months.

27. The representative of the EEC said that the Australian representative's proposal and the considerations underlying it seemed to his delegation to be in contradiction with the practice that the participants in the arrangement had been following for some nine months. Furthermore, the proposed increase was equivalent to 40 per cent of the existing minimum price, whereas when an increase of only 20 per cent had been proposed a few years earlier the Committee had discussed the proposal at great length. He wondered whether the derogations would remain in force if the Committee decided to raise the minimum price to US$50 per 100 kgs.
Importers had recently purchased skimmed milk powder for animal feed at prices of US$20 to 25 per 100 kgs. and skimmed milk powder for human consumption at US$35 per 100 kgs. In that connexion he wondered whether the fact of announcing the Committee's intention to increase the minimum price would not trigger off a wave of speculative purchasing at US$35 per 100 kgs. His own delegation had always been in favour of producers receiving more remunerative returns, but he considered the moment somewhat delicate to request an increase in the minimum price. He nevertheless thanked the Australian representative for having made the proposal, without prejudice to whatever position the EEC might take on the matter in future. It might be desirable for the Committee to have the fullest possible information concerning contracts already concluded, whether for skimmed milk powder for human consumption or that intended for animal feed. It should also have detailed information concerning the level of stocks in importing countries and the corresponding disposal periods. In conclusion, the EEC delegation would consider the proposal made by the Australian representative and the Committee might revert to the matter at its next regular meeting.

28. The Committee requested the secretariat to prepare for the next regular meeting, in co-operation with delegations, a listing of current contracts and their period of execution. It agreed to revert at its next regular meeting to the proposal made by the Australian representative.

Other business

Date of the next meeting

29. The Committee agreed to hold its next extraordinary meeting on 28 January 1977, subject to confirmation by the secretariat.
ANNEX/ANNEXE

List of Representatives/Liste des représentants

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

AUSTRALIA
Mr. C.F. Teese
Mr. R. Moore

BELGIUM
Mr. H. Hooyberghs

CANADA
Mr. M. Hart

DENMARK
Mr. E. Olsen

COMMUNAUTES EUROPEENNES COMMISSION
M. A. Barsuglia

FRANCE
M. M. Leflon

GERMANY, FEDERAL REP. OF
Mr. G. Schütz

ITALY
Mr. G. Giorgieri

JAPAN
Mr. H. Shirai

NETHERLANDS
Mr. M. Hoogesteger

NEW ZEALAND
Mr. A.H. McPhail

SOUTH AFRICA
Mr. J.J. Picnaar

SPAIN
Mr. A. Iranzo

SUISSE
M. R. Beuret

UNITED KINGDOM
Mr. I. Redfern

OBSERVERS/OBSERVATEURS

AUSTRIA
Mr. V. Segalla

HUNGARY
Mr. S. Simon

UNITED STATES
Mr. E. Koenig