Introduction

1. The Management Committee held its forty-fourth meeting on 26 September 1977.

Adoption of the agenda

2. The Committee adopted the following agenda:

1. Adoption of the agenda

2. Adoption of the minutes of the forty-third meeting (MCDP/45)

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

   Information under the Decision of 10 May 1976

4. Decision of 10 May 1976

5. Other business

Adoption of the minutes of the forty-third meeting (MCDP/45)

3. The Committee adopted the minutes in document MCDP/45.

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

   Information under the Decision of 10 May 1976

4. The Committee had before it a summary table (MCDP/W/58/Rev.12) prepared by the secretariat and based on communications received in pursuance of the Decision of 10 May 1976.
Referring to the information given on page 2 of document MCDP/W/53/Add.42, the representative of the EEC pointed out that New Zealand sales of skimmed milk powder to Spain under a derogation had amounted to 66,106 metric tons. At the Committee's meeting on 23 January 1977 the representative of New Zealand had stated that according to certain rumours some of the skimmed milk powder sold by his country to Spain for stock feed had been taken from the free port at Santander and forwarded to other destinations, presumably for human consumption. He asked the New Zealand representative for details regarding the destinations towards which the New Zealand powder had been diverted.

The representative of New Zealand recalled that at the meeting of 28 January 1977 he had said that, according to certain rumours, some of the skimmed milk powder which had been sold by New Zealand to Spain for stockfeed had been taken from the free port of Santander and shipped to Pakistan presumably for human consumption. He stressed that, as far as New Zealand was concerned, the skimmed milk powder exported for stockfeed to Spain, had in fact been delivered to Spain.

The representative of the EEC enquired whether the New Zealand representative had filed with the secretariat import certificates issued by the competent Spanish authorities and covering 66,106 tons, or whether he would be in a position to file them in the near future.

The representative of New Zealand replied that at the time when the Management Committee had agreed that in the case of sales of unaltered skimmed milk powder to Spain under the provisions of the Spanish derogation, the competent authorities of the exporting participants would require from the purchaser an undertaking to produce a copy of the customs clearance document, New Zealand had already delivered to Spain the entire amount of 66,106 tons mentioned in document MCDP/W/53/Add.42. He was not in a position to state whether the New Zealand Dairy Board currently had in its possession customs clearance documents issued by the Spanish authorities in respect of those sales, but would make enquiries on the matter.

The representative of the EEC recalled that the Community endeavoured to file with the secretariat import certificates covering all sales of skimmed milk powder for animal feed. For reasons of equity, it would be helpful if other exporters likewise made an effort in that direction. The Commission had recently amended Regulation No. 2054/76 on the sale for export to third countries of skimmed milk powder intended for use as feed. Under that amendment, aged powder placed in storage prior to 1 January 1975 could be sold for export at the intervention price reduced by 13 UA/100 kgs. Nevertheless, despite the efforts made by Community operators, it had proved impossible to sell to third countries substantial quantities of that aged powder which was no longer suitable for the preparation of compound feeding stuffs for calves. The Commission had therefore decided to amend the age of the powder to which
Regulation No. 2054/76 was applicable. Under that new amendment the Community could export powder intended for animal feed which at the date of being taken over had been stored for at least sixteen months. The powder placed in storage prior to 1 January 1975, amounting to approximately 38,000 tons, would probably be sold within the Community in October 1977 for the preparation of feed for swine and poultry.

10. The representative of Canada said that current export prices of skimmed milk powder for human consumption were in the order of US$425 per ton f.a.s. The export price of skimmed milk powder for animal feed was about US$280 per ton f.a.s.

11. The representative of the EEC said that the Community could export skimmed milk powder for animal feed at prices in the region of US$250 per ton f.o.b. Export prices of skimmed milk powder for human consumption were in the vicinity of US$420 to US$425 per ton f.o.b.

12. The representative of New Zealand informed the Committee that the Dairy Board was at present quoting at US$450 per metric ton f.o.b. for skimmed milk powder both for human consumption and for animal feed purposes. He added however, that no sales were carried out at these price levels.

13. The representative of Australia said that current export prices of skimmed milk powder for human consumption were in the order of US$425 per ton f.o.b. It was expected that exports would be effected soon at US$450 per ton f.o.b.

**Decision of 10 May 1976**

14. It was recalled that under paragraph 4(a) of the Decision of 10 May 1976, extended as decided on 24 March 1977, the Committee was required, not later than thirty days before the date of expiry of the Decision, to determine in the light of the market situation prevailing at that time whether, and if so under what conditions, it should be extended.

15. The representative of Canada recalled that the original drafters of the Arrangement had explicitly recognized in drawing up the provisions of the Arrangement that in a situation of excess supply the only way to protect the minimum price of skimmed milk powder for human consumption and at the same time to permit the run-down of excess stocks was to provide for sales of skimmed milk powder for feed use at prices below the minimum price provided for in the Arrangement. He pointed out that Article III:5 of the Arrangement explicitly provided for a derogation from the minimum price provided that the proposed processes and control measures were approved by the Committee and recorded in a register established by it. The built-in safety-valve of Article III:5 was completely different from the derogation outlined in Article VII:5 of the Arrangement. Any member of the Committee had the right to invoke the provisions of Article III:5 subject only to agreement by the Committee that the proposed
processes and control measures were adequate. He stressed that it was clear from the operation of the Decision of 10 May 1976 that the processes and control measures approved by the Committee had been effective in practice. There had not been one single allegation that skimmed milk powder sold for animal feed purposes under the Decision of 10 May 1976 had leaked into the market of skimmed milk powder for human consumption. The representative of Canada recalled that the existing derogations of Japan and Spain as regards imports of skimmed milk powder for animal feed purposes at prices below the minimum price, were open-ended. He suggested therefore that the terms of the Decision of 10 May 1976 be extended for a further period of at least eighteen months. It would be understood that the extended decision would cover exports carried out prior to 10 May 1979; in addition it would apply to exports carried out between 10 May and 10 November 1979 in the case of deliveries in pursuance of contracts entered into between 10 November 1977 and 10 May 1979.

16. The representative of New Zealand requested the representative of Canada to inform the Committee on the current situation regarding the Canadian stocks of skimmed milk powder. He wished also to have some indication of the rate at which Canada considered it could run down its excess stocks.

17. The representative of Canada replied that his country was holding 83,326 tons of stocks as at 1 August 1977. It was expected that skimmed milk powder production for the current dairy year would reach 450 million pounds including carry-over stocks (approximately 204,100 tons). Domestic consumption in the dairy year 1977/78 would amount to some 100 million pounds (approximately 45,300 tons) leaving some 350 million pounds (approximately 158,300 tons) available for export. It was the view of his authorities that it would be impossible to move that amount of powder into the market of skimmed milk powder for human consumption. Therefore, if Canada was to reduce its stocks down to normal working levels it ought to sell part of its production of skimmed milk powder at prices competitive with other protein supplement feedstuffs. The representative of Canada recalled that there had not been one single allegation that skimmed milk powder sold for animal feed purposes under the Decision had leaked into the market of skimmed milk powder for human consumption. The fact that there was no proof of leakage could suggest that the Decision of 10 May 1976 should be extended indefinitely. However, Canada was not requesting an indefinite extension at this stage but it did suggest that the terms of the Decision of 10 May 1976 be extended for a further period of at least eighteen months.
18. The representative of Australia said that his delegation could support the request made by the Canadian delegation for an extension of the terms of the Decision of 10 May 1976. His delegation also believed that sales of skimmed milk powder for animal feed purposes could be effected at prices competitive with other protein supplement feedstuffs. He noted that the existing derogations of Japan and Spain were open-ended. He supported also the view that there was no proof that skimmed milk powder sold for animal feed purposes under the Decision of 10 May 1976 had leaked into the market of skimmed milk powder for human consumption. However, his delegation had no fixed views on the duration of any extension and would not be opposed to a more frequent review than the eighteen-month period suggested by the Canadian delegation.

19. The representative of New Zealand recalled that the New Zealand Dairy Board had not concluded any new stockfeed contracts under the Decision for almost twelve months. He recalled also that at present the Dairy Board had no aged skimmed milk powder for sale for purposes of animal feed at prices below the minimum price provided for in the Arrangement. If a period of eighteen months was really required for certain countries to run down their excess stocks, his delegation could accept an extension for such a period. He suggested however, that a formal review could be maintained after every six months in order to be sure that a derogation was still necessary.

20. The representative of the EEC said that his delegation was prepared to make an effort in the sense suggested by the Canadian representative and could agree to an extension of the Decision of 10 May 1976 for a maximum period of six months.

21. The representative of Canada supported the suggestion of the representative of New Zealand that if the Committee agreed to extend the Decision of 10 May 1976 for a further period of eighteen months a formal review could be maintained after every six months.

22. The representative of the EEC noted that Canada was holding only 83,300 tons of stocks, as compared with 1,079,493 tons held by the Community at 15 September 1977. Although the EEC stocks were twelve times greater than those of Canada, the Community was not requesting an extension of the Decision of 10 May 1976. At the present time it was impossible to export skimmed milk powder for human consumption at US$450 per ton f.o.b., and only very few sales were effected at US$425 per ton f.o.b. Furthermore, taking into account the competitive position of vegetable proteins, skimmed milk powder for animal feed could be exported only at approximately US$250 per ton f.o.b. If the Committee were to decide to extend the Decision of 10 May 1976 for as long a period as eighteen months, he wondered whether it would still be possible to sell skimmed milk powder for human consumption at prices in the region of US$425 per ton f.o.b. In conclusion, he reiterated his suggestion that the Decision of 10 May be extended for a period of six months.
23. The representative of New Zealand recalled that at the time of the negotiation of the Decision of 10 May 1976 all major exporting countries were holding huge surplus stocks. For reasons of equity, the Management Committee had decided at that time that a general derogation was needed. He pointed out that at present only one exporting country felt that a derogation was needed. Taking into account the legal situation according to which any member of the Committee could take advantage at any time of the provisions of Article III:5 of the Arrangement subject to the approval by the Committee of the proposed processes and control measures, he asked the representative of Canada if it was necessary to extend the terms of the Decision for a further period as long as eighteen months.

24. The representative of Canada recalled that any member of the Committee had the right to invoke the provisions of Article III:5 subject only to agreement by the Committee that the proposed processes and control measures were adequate. He said that taking into account the observations made by the representative of New Zealand, his delegation was ready to agree to extend the Decision of 10 May 1976 for a period of six months.

25. The Management Committee agreed to extend the Decision of 10 May 1976, extended as decided on 24 March 1977, for a period of six months. The Decision will apply to exports effected within that six-month period and, provided that such exports are in respect of contracts entered into within that period, to exports effected within six months after the expiry of the Decision. The Committee is to meet not later than 30 days before the date of expiry of the Decision in order to determine, in the light of the market situation prevailing at that time, whether, and if so under what conditions, it should be extended. The text of the Decision, which will enter into force on 10 November 1977, has been circulated in document MCDP/30/Rev.2.
ANNEX/ANNEXE

List of Representatives/Liste des représentants

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

AUSTRALIA  Mr. R. Hall - Mr. R.E. Moore
BELGIUM  Mr. H. Hooyberghs
CANADA  Mr. M. Gifford - Mr. M. Hart
COMMUNAUTES EUROPEENNES COMMISSION  M. A. Barsuglia - M. J. Elles
FRANCE  M. M. Leflon - Mrs. A. Marsall
GERMANY, FEDERAL REPUBLIC OF
ITALY  Mr. E. Mägele
JAPAN  Mr. G. Giorgieri
NETHERLANDS  Mr. H. Ueno
NEW ZEALAND  Mr. M. Hoogesteger
SOUTH AFRICA  Mr. A.H. McPhail
SPAIN  Mr. N. Saulez
SUISSE  Mr. D.J. Bezuidenhout
SPAIN  Mr. A. Iranzo - Mr. M.A. Diaz-Mier
UNITED KINGDOM  M. J.D. Gerber

OBSERVERS/OBSERVATEURS

AUSTRIA  Mr. V. Segalla
UNITED STATES  Mr. E. Koenig