Introduction

1. The Management Committee held its fourth meeting on 11 December 1970.

2. All members of the Committee were represented at the meeting. The observers were also represented.

Adoption of agenda

3. The Committee adopted the following agenda:

   (a) Adoption of minutes of third meeting (MCDP/4).

   (b) Status of contracts concluded before entry into force of the Arrangement.

   (c) Information required by the Committee under Article IV or other articles of the Arrangement (comments on MCDP/STAT/2-10).

   (d) Review of market situation (MCDP/4 paragraphs 22-29).

   (e) Other business.

Adoption of minutes of third meeting

4. The minutes of the third meeting, held on 15 September 1970 (MCDP/4) were adopted.

Status of contracts concluded before entry into force of the Arrangement

5. The representative of Australia stated that the outstanding balance of contracts negotiated before the Arrangement came into force was at present 1,445 long tons and that it was expected that this amount would be shipped during the next three months.

6. The representative of the European Economic Community informed the Committee that all contracts negotiated before the coming into effect of the Arrangement had been terminated including the contract concluded with Brazil.
7. The representative of Canada recalled that all Canadian contracts reported at the time when the Arrangement came into force had been completed and nothing remained to be delivered.

8. The representative of New Zealand said that some remaining shipments would be completed by the end of this year.

9. The representative of Ireland pointed out that a small contract of approximately 500 tons, concluded with Mexico in February 1970, remained to be shipped.

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

10. The representative of the United States informed the Committee that it had not yet been possible for his Government to submit the information required. He would request his authorities to send this information soon.

11. The representative of the United Kingdom stated that information on the third quarter of 1970 could be expected shortly.

12. The Committee noted that further information based upon questionnaire MCDP/STAT/2 had been received from New Zealand, South Africa and Austria and had been circulated respectively in MCDP/STAT/3/Add.1, MCDP/STAT/9/Add.1 and MCDP/STAT/11.

13. Representatives of several participants orally submitted part of the information sent to the secretariat. This information will be circulated in full in the following documents:

- Australia: MCDP/STAT/4/Add.1
- European Economic Communities: MCDP/STAT/3/Add.1
- Denmark: MCDP/STAT/2/Add.1
- Japan: MCDP/STAT/7/Add.1
- Ireland: MCDP/STAT/6/Add.1

14. Referring to the Austrian average export price level of US$42.7 per 100 kgs. mentioned in Table D of document MCDP/STAT/4, the representative of Austria indicated that his Government's experts considered that this did not reflect the real price level and that it would be reviewed.

15. In commenting on the information his authorities had furnished in MCDP/STAT/9/Add.1, the representative of South Africa noted that the updated information was more accurate than in the previous document which explained the difference between some figures in MCDP/STAT/9 and some in Addendum 1. He added that the breakdown of total consumption into human consumption and animal feed specified in MCDP/STAT/9/Add.1 should still be considered as provisional as the information concerned had been obtained from manufacturers only. It was intended also to request information on the final destination of skimmed milk powder from wholesalers, the result of which might alter the present figures.
16. In reply to a question the representative of Australia explained that the lowest export price for skimmed milk powder at US$16.5 per 100 kgs. named in Table D (see MCDP/STAT/4/Add.1) was likely due to the execution of contracts concluded before February 1970. He promised to investigate the matter.

17. As to a question whether some imports of skimmed milk powder from the Netherlands were indeed taking place at US$45.8 c.i.f. (see MCDP/STAT/7/Add.1) the representative of Japan replied that to his knowledge this figure was correct. He informed the Committee that he would request his authorities for a more detailed explanation. Another question regarded the difference noted between the weighted averages of imported prices during the period of July-September 1970 and January-December 1969 respectively US$21.6 and US$23.7 per 100 kgs. c.i.f. It was asked whether some explanation could be given to the fact that the average import price in 1970 was lower than the average price obtained in 1969, while it was generally known that prices in 1969 were very low because of the then prevailing market disruption and export prices at present were centering about US$27-28 f.o.b.

18. The representative of Japan replied that the relatively low average level of US$21.6 obtained in July-September 1970 was most likely due to imports which had taken place following lower price contracts concluded before the Arrangement came into force. With regard to the question why the average price level in 1969 was higher than in 1970, the Japanese representative informed the Committee that he would request further information from his authorities.

Review of the market situation

19. In recalling his statement made at the last meeting on 15 September 1970, with respect to the possible raising of the minimum price, the representative of Denmark said that recent price developments demonstrated that the market situation had considerably improved and prices had become stable at a higher level. He reiterated his position that this would justify an increase in the minimum price in accordance with paragraph 3 of Article III of the Arrangement Concerning Certain Dairy Products. He further added that at the time the Arrangement was negotiated the minimum price level of $20 per 100 kgs. f.o.b. was accepted on the understanding that this level would be raised if the world market permitted it.

20. The representative of the United Kingdom supported this view and, recalling the position taken by his delegation at the last meeting, suggested that a minimum price level of US$25 per 100 kgs. f.o.b. would be appropriate.

21. The representative of Australia said that the present market trend was satisfactory, but doubted whether this tendency was in itself sufficient at this time to draw the conclusion that the minimum price should be raised. The raising of the minimum price should not be based upon purely short-term considerations. He recalled that at the time the Arrangement was negotiated it was clearly stated that the minimum price should not necessarily be the price at which sales must take place. The minimum price should be regarded as a floor price which would come into effect if prices fell sharply. Secondly, the minimum price should not be set at a level which would affect consumption. It was intended to be a price which would promote the expansion of consumption and, at the same time, offer a remunerative price to
producers. Thirdly, a raising of the minimum price needed a more careful examination of the possible market trend in the period ahead. It would be useful to study the factors which had led to the improvement of the market and to examine whether this trend was likely to continue. If such a study demonstrated that the present trend in world market prices was based upon some non-recurring factors it would be unwise to consider a rise of the minimum price. It would be prejudicial to the Arrangement if the Committee had to retract its decision on raising the minimum price and it might encounter considerable difficulty if it were to adjust the minimum price too frequently. He suggested that the secretariat should prepare a study of the present market situation and the possible trend in the coming months in order to facilitate the examination of this question. The representative of Australia added that in this connexion two other factors had to be taken into account:

1. the competitive position of reconstitution factories, which used skimmed milk powder at the minimum price and which had to compete with condensed products made in the conventional way from whole milk;

2. the progress, made with regard to the inclusion in the Arrangement of other products such as butter oil, at the time when the discussion on the raising of the minimum price is resumed.

22. The representative of New Zealand agreed with this opinion and recalled that his Government had adhered to the Arrangement on the understanding that endeavours would be made to include butter oil and perhaps some other products in the Arrangement. He proposed to resume the discussion on the issue later when the possibility of extending the coverage of the Arrangement might be clarified and a better description could be given of New Zealand's export possibilities as New Zealand is now at the height of its season.

23. The representative of Canada stated that Canada's recent trade experience did not completely coincide with the upward trend of the market, noticed by other participants. He considered that it was too early to conclude that prices had stabilized at a level far above the minimum price. He reiterated his view that the minimum price should be regarded as a floor price and supported the suggestion made by the Australian representative that the secretariat should be asked to prepare a study of the market in order to facilitate the discussion at a later stage.

24. The Committee requested the secretariat to prepare a survey of the market situation taking into account the discussion in the Committee. The Committee noted that such a survey was already under preparation and that it would be circulated shortly.
Other business

The FAO International Scheme for Co-ordination of Dairy Development

25. The Committee noted that the FAO had suggested the establishment of an International Scheme for Co-ordination of Dairy Development. The objective of the scheme was to establish an informal framework for systematic efforts, both unilateral and bilateral, to raise levels of consumption of milk and dairy products in developing countries through an accelerated development of milk production and dairy industries in these countries and through assisting in using efficiently milk products available for food aid in combination with other resources required.

   It was further noted that any possible action of establishing a programme to co-operate with the scheme would be discussed in the Management Committee with a view to informing the Director-General of the FAO of its deliberations.

Next meeting

26. The representative of the European Economic Community stated that a meeting in March 1971 would be most appropriate for two reasons: the Committee would by that time have a clearer view on the development of the market situation in the southern hemisphere, while at the same time a new setting of market prices of agricultural products would have been established in the European Economic Community.

27. The representative of Japan indicated that the Arrangement had been in force for nearly one year and that according to paragraph 5 of Article VIII, "the duration of the Arrangement shall be extended for further periods of one year at a time unless the Management Committee, within eighty days prior to each date of expiry, decides otherwise". He considered therefore that it might be useful to have a meeting before 23 February to give certain members the opportunity to express an opinion on this issue.

28. The Committee agreed that the next regular meeting would be held on 11 March 1971 and that if some members desired so a special meeting could be held before 23 February 1971.