Introduction

1. The Management Committee held its fifty-sixth meeting on 2 October 1978.

Adoption of the agenda

2. The Committee adopted the following agenda:

   1. Adoption of agenda

   2. Adoption of the minutes of the fifty-fifth meeting (MCDP/57)

   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 fifty-fifth meeting (MCDP/57)

3. The Committee adopted the minutes in document MCDP/57.

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.23) prepared by the secretariat and based on communications received in pursuance of the Decision of 10 May 1976.
5. Referring to document MCDP/W/52/Add.49 presenting information furnished by the delegation of Australia, the representative of the EEC noted that paragraph 4 thereof stated that the shipments mentioned in paragraphs 2 and 3 of the document had been made under two contracts which Australia had entered into with Japan in 1976, one for 50,000 metric tons and one for 20,000 metric tons of stockfeed milk powder. He asked the Australian representative to give the Committee some information as to the quantity of skimmed milk powder still to be delivered by Australia to Japan under those contracts.

6. The representative of Australia replied that he did not know the exact quantity of skimmed milk powder still to be delivered to Japan by his country. According to the forecasts, however, the last of those shipments were to be made in October 1978. Accordingly, there probably remained only very small quantities of skimmed milk powder still to be delivered. He would enquire from his authorities on the matter and hoped in the near future to be able to give the information requested by the EEC representative.

Decision of 10 May 1976

7. It was recalled that under paragraph 1(a) of the Decision of 10 May 1976, which had been extended on 24 March and 26 September 1977, and again on 17 March 1978, the Committee was required to meet not later than thirty days before the expiry date 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 Decision, last extended on 17 March 1978, would expire on 10 November 1978.

8. The representative of Canada recalled that in the near future the existing Arrangement might be replaced by the International Dairy Arrangement currently being negotiated in the framework of the Multilateral Trade Negotiations. His delegation did not wish to prejudice the discussions currently under way in the Multilateral Trade Negotiations. He recalled that under the present Arrangement, any member of the Committee had the right to invoke the provisions of Article 111:5 subject only to agreement by the Committee that the proposed processes and control measures were adequate. In the view of his delegation, the Decision should continue for another period of six months on the understanding that this issue would be subsumed into the new International Dairy Arrangement which hopefully would come into effect in the very near future.

9. The representative of the EEC pointed out that in principle the period of validity of a derogation should be as short as possible since such a measure ran counter to established rules. The Decision of 10 May 1976, initially valid for one year, had been extended for a six-month period on three occasions, so that it had in fact been in effect for two and a half years. Except for the EEC, none of these participants had any milk powder
for animal feed available for export. Taking into account the recent de facto devaluation of the United States dollar, the EEC had recently exported skimmed milk powder for animal feed at prices in the vicinity of US$365 per ton, f.o.b. i.e. above the minimum price established under the Arrangement. Within the framework of that instrument, his delegation did not see any reasons that might lead the Committee to extend the Decision of 10 May 1976 for a further six-month period. The Committee should, therefore, repeal the existing Decision as from 10 November 1978, it being understood that such a repeal would in no way prejudice whatever might be decided in the Sub-Group on Dairy Products. Furthermore, according to certain reports, 22,940 tons of skimmed milk powder exported by Canada to the Philippines in an unaltered state had been repacked in the Philippines in bags bearing the mark of the New Zealand Dairy Board and then sold to milk reconstitution plants in the Philippines. In addition, the Community was having great difficulty in ensuring that skimmed milk powder exported in accordance with regulation 2054/76 was indeed used for animal feed in the country of destination. Verification was increasingly difficult but it seemed that a good part of the milk powder exported in the unaltered state was being used for human consumption instead of for animal feed. The difficulty of verification should be an additional reason for the Committee to repeal the Decision of 10 May 1976.

10. The representative of New Zealand recalled that his delegation could agree with the Canadian interpretation of the legal situation under Article III:5 of the Arrangement. However, the item under discussion was the extension of the Decision of 10 May 1976. He pointed out that even if the Decision of 10 May 1976 ceased to apply, Canada could still export skimmed milk powder for animal feed purposes at prices below the minimum price under Article III:5 of the Arrangement. If the Committee agreed to terminate the Decision of 10 May 1976, the provisions of the Decision concerning exports of skimmed milk powder in an unaltered state would no longer apply. His delegation had no strong views as to whether the Decision of 10 May 1976 should be extended for a further period of six months since no major exporters were using the provisions of the Decision. His country had not sold any powder under the Decision for at least eighteen months, Australia had no spare powder, Canadian stocks of skimmed milk powder were at manageable levels and finally the EEC was selling stockfeed powder at prices above the minimum price. Thus, in the view of his delegation there was no real point in maintaining the Decision of 10 May 1976.

11. The representative of Canada hoped that the information reported to the representative of the EEC with regard to Canadian powder sold to the Philippines was in fact erroneous. If Canadian powder sold to the Philippines for animal feed purposes had leaked into the human consumption market in the Philippines this diversion of the powder to human food use would bring into question the adequacy of the existing safeguard provisions of the Decision of 10 May 1976. He recalled that Article III:5 of the Arrangement explicitly provided for an automatic 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.
He agreed that one should not confuse the provisions of the Decision of
10 May 1976 with the legal framework of the existing Arrangement. He
invited the representative of the EEC to provide to the Committee an
assessment of the stock situation in the EEC in the next six months and
some information on possible export prices of skimmed milk powder both for
human consumption and animal feed purposes in the same period.

12. The representative of the EEC suggested that with respect to the
rumours about the possible diversion in the Philippines of a certain quantity
of Canadian skimmed milk powder, the Canadian authorities could make an
investigation in the Philippines in collaboration with the New Zealand
authorities in order to determine whether or not the reports were correct.
In reply to the question of the Canadian representative concerning trends in
the skimmed milk powder market, he said that on 15 September 1978 stocks of
skimmed milk powder had amounted to 867,608 tons, i.e. almost the same
amount as at the beginning of the summer of 1978. Measures taken within the
Community for the sale of skimmed milk powder for swine and poultry feed
allowed the disposal of some 450,000 tons of powder each year. To that
quantity should be added 150,000 tons earmarked for food aid and some
180,000 to 200,000 tons that could be exported for human consumption. As a
result, one could expect that Community stocks would not unduly burden the
skimmed milk powder market. In the view of his delegation, the situation
in the international market for skimmed milk powder was not likely to
deteriorate even if commercial transactions slowed down somewhat as a result
of the increased quantities exported for food aid. Lastly, taking into
account the recent decline of the United States dollar in exchange markets,
export prices for skimmed milk powder for human consumption should be in the
vicinity of US$500 per ton f.o.b. while the price of skimmed milk powder for
animal feed had reached US$365 per ton f.o.b. The difference of some
US$135 would no doubt allow regular sales and some stabilization of prices
in international trade.

13. The representative of New Zealand wondered whether the representative
of Canada was ready to agree to maintain in the register of processes and
control measures all the processes and control measures currently in the
register, excluding control measures recorded by the participants to the
Decision of 10 May 1976 which permit exports of skimmed milk powder in an
unaltered state.

14. The representative of Canada stated that it would be quite satisfactory
to his delegation if the existing Decision of 10 May 1976 was modified to
exclude from the register the control measures which permit exports of
skimmed milk powder in an unaltered state. With regard to denaturing
processes it would be understood that the powder could be denatured according
to these processes either prior to export or in the country of destination.
15. The representative of New Zealand suggested that if the control measures which permit exports of skimmed milk powder in an unaltered state were deleted and if all the other processes and control measures currently in the register were maintained in the register, the Committee could repeal the Decision of 10 May 1976 and rely on the provisions of Article III:5 of the Arrangement.

16. The representative of Canada stated that his delegation could agree to repeal the Decision of 10 May 1976 on an ad referendum basis. He would undertake to confirm his agreement soon.

17. Subject to confirmation by the representative of Canada, the Management Committee agreed to repeal the Decision of 10 May 1976. At the same time, the Management Committee agreed to maintain in the Register of processes and control measures all the processes and control measures recorded by the participants to the Decision of 10 May 1976, excluding control measures which permit exports of skimmed milk powder in an unaltered state. The processes and control measures thus approved by the Committee will be recorded in the Register of processes and control measures, in accordance with paragraph 5 of Article III of the Arrangement and circulated in document L/3552/Add.5/Rev.1 in respect of Australia, L/3552/Add.6/Rev.1 in respect of Canada, L/3552/Add.7/Rev.1 in respect of New Zealand, L/3552/Add.8/Rev.1 in respect of the European Communities and L/3552/Add.5/Rev.1 in respect of Switzerland.

13. Subsequently, the representative of Canada confirmed to the secretariat that his delegation could agree to repeal the Decision of 10 May 1976.
ANNEX/ANNEXE

List of Representatives/Liste des Représentants

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

AUSTRALIA
  Mr. R.J. Hall
  Mr. R.E. Moore

CANADA
  Mr. M. Gifford
  Mr. D. Roberts

DENMARK
  Mr. P. Poulsen
  Mr. H. Bender-Pedersen

COMMUNAUTES EUROPEENNES COMMISSION
  M. A. Barsuglia

FRANCE
  M. R. Louzé

GERMANY, FED. REP. OF
  Mr. M. Schalaster

ITALY
  Mr. R. Trioli

JAPAN
  Mr. H. Shirai

NETHERLANDS
  Mr. J. Logger
  Mr. R. Hoogesteger

NEW ZEALAND
  Mr. A.H. McPhail
  Miss C. Williams

SOUTH AFRICA
  Mr. N. Saulez

SPAIN
  Mr. A. Iranzo
  Mr. M.A. Díaz-Mier

SUISSE
  M. R. Beuret

UNITED KINGDOM
  Mr. R. Lowson

OBSERVERS/OBSERVEURS

AUSTRIA
  Mr. V. Segalla