Introduction

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

Adoption of agenda

2. The Committee adopted the following agenda:

   1. Adoption of agenda
   2. Information required by the Committee under Article IV or other Articles of the Arrangement:
      General information
   3. Review of the market situation. Possible modification of the minimum price
   4. Other business

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

General information

3. The Committee urged members which had not yet furnished data for the second quarter of 1978 to do so promptly.

Review of the market situation. Possible modification of the minimum price

4. The Committee had before it a summary table (MCDP/W/65/Rev.8) prepared and up-dated by the secretariat for the information of delegations and concerning food aid in the form of skimmed milk powder. It also had before it a document reproducing in the form of recapitulation tables the quarterly data (up to the first quarter of 1978) on production, trade and stocks communicated to the secretariat by the countries participating in the work of the Committee. That document had been circulated as MCDP/W/103,
5. The representative of Canada informed the Committee that his country's total milk production from April 1978 to July 1978 had declined by 1.7 per cent compared with the corresponding period of the preceding year. Between April 1978 and August 1978, skimmed milk powder production had declined by 18.7 per cent compared with the corresponding period in the preceding year. Stocks of skimmed milk powder, which had amounted to 115.7 million lbs. (approximately 52,400 tons) on 1 September 1978, were 36.7 per cent less than at 1 September 1977. The existence of the Decision of 10 May 1976 had facilitated disposal of surplus stocks so that Canadian stocks were currently at normal levels. Those figures also showed that the measures taken by Canada under its domestic dairy policy, in order to reduce production, had yielded satisfactory results. In conclusion, current prices of skimmed milk powder for human consumption were in the vicinity of US$480 per metric ton f.o.b.

6. The representative of Australia said that the expected production of skimmed milk powder in the 1978/79 production year would be considerably below that of the previous year. In fact, a large part of the Australian production for 1978/79 had already been committed for export at prices around US$520 per metric ton f.o.b. He recalled that at the six previous regular meetings of the Committee, his delegation had raised the question of a possible modification in the level of the minimum price. He recalled also that the factors justifying an increase in the level of the minimum price were recorded in the minutes of the previous regular meetings of the Committee. At the Fifty-Fourth meeting held on 19 June 1978, he had stated that his delegation would foreshadow that when agreement would be reached in the Sub-Group on Dairy Products on the price for skimmed milk powder, Australia would formally propose that the agreed price be enforced as the minimum price under the present arrangement on skimmed milk powder. However, in its meeting of July 1978, the Sub-Group on Dairy Products had not reached an agreement on the price for skimmed milk powder. He recalled on the other hand that the negotiations currently under way in the Sub-Group on Dairy Products provided no argument against reviewing the minimum price. For all these reasons, the Management Committee should increase now the minimum price to at least US$400 per metric ton.

7. The representative of New Zealand recalled that his delegation had in the previous regular meetings of the Committee fully supported the Australian proposal to increase the minimum price. The market for skimmed milk powder had remained in a tight supply position for fresh powder for human consumption. Australia, a main exporter, was expecting to export only 25,000 tons in the present season, the most of which being already committed. Canadian stocks should continue at manageable levels and New Zealand's stocks were short. The only depressing factor on prices was the level of export subsidization. The supply position together with currency factors had enabled the New Zealand Dairy Board to maintain its
price of skimmed milk powder for recombining at US$508 per metric ton f.a.s.
but not without some difficulty. For new sales, the spot price had
recently been moved to US$550 per metric ton f.a.s. This encouraging
situation strengthened the rationale for increasing the minimum price. He
concluded by reiterating his support to the proposal made by the
representative of Australia to increase now the minimum price provided for
in the Arrangement.

8. The representative of the EEC recalled that the Community was looking
to the Multilateral Trade Negotiations to establish a harmonious balance
as between the various dairy products. Furthermore, at the preceding
regular meeting of the Committee his delegation had expressed its readiness
to transpose into the skimmed milk powder arrangement whatever new minimum
price was negotiated for that product in the Multilateral Trade Negotiations.
Accordingly, his delegation could not concur with the Australian request for
the minimum price established under the Arrangement to be modified at the
current juncture.

9. It was pointed out that any decision concerning advance implementation
of a new minimum price negotiated in the framework of the Multilateral
Trade Negotiations must be a matter exclusively for the Management Committee
of the existing Arrangement.

10. The representatives of Australia and New Zealand proposed that the
question of a possible modification of the minimum price be kept on the
agenda for the Committee’s next regular meeting. That agenda item might
also mention the possibility of advance application of a new minimum price.

11. The Committee noted that no consensus had emerged concerning a
modification of the minimum price under Article III:3 of the Arrangement.
It was agreed, therefore, that the matter would be kept on the agenda, with
a reference to the possibility of advance application of a new minimum
price.

Other business

12. The representative of the EEC informed the Committee that some member
States had encountered certain difficulties when exporting to Spain skimmed
milk powder denatured according to one of the processes which had been
included in the register in respect of Spain in early 1978. Customs
authorities of some member States considered that the powder could not be
exported under heading 04.02 of the customs tariff, but under heading 23.07.
He asked the Spanish representative whether the Spanish customs authorities
considered the denatured product as falling within heading 04.02 or
heading 23.07 of the customs tariff.
13. The representative of Spain replied that the Spanish customs authorities probably considered the product as falling within heading 04.02 of the customs tariff. No doubt they had discretion to classify a product under whatever heading they deemed appropriate, regardless of any decision by the exporting country to classify it under a given heading. He would transmit to his authorities the question raised by the EEC representative, and hoped to be able to report back to the Committee at its next meeting.

14. It was recalled that at the meeting of 24 March 1977, the Committee had agreed that in the case of sales of unaltered skimmed milk powder to Spain under the provisions of L/3552/Add.4, the competent authorities of the exporting participants would require from the purchaser, at the time of signature of the contract, an undertaking to produce a copy of the customs clearance document, which they would then forward to the GATT secretariat (MCDP/41, paragraph 18). It was reaffirmed that those measures would continue to be applied in the case of sales of unaltered skimmed milk powder to Spain under the provisions of L/3552/Add.4.

15. The representative of Australia said that according to certain reports, Ireland had exported to Algeria skimmed milk powder for human consumption at the price of US$4.25 per metric ton. He enquired whether the EEC representative could give any information concerning such sale at the price mentioned.

16. The representative of the EEC replied that he had not been advised of any sale at the price indicated. He would make enquiries, however, and hoped to be able to report back to the Committee at its next meeting.

Date of the next meeting

17. The Committee decided to hold its next regular meeting on 15 December 1978, subject to confirmation by the secretariat.
### List of Representatives/Liste des Représentants

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

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<th>Country</th>
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<td>Mr. V. Segalla</td>
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**Observers/Observateurs**

- AUSTRIA: Mr. V. Segalla