GENERAL AGREEMENT ON TARIFFS AND TRADE

Arrangement Concerning Certain Dairy Products

MANAGEMENT COMMITTEE

Minutes of the Fifty-Ninth Meeting
Held on 26 March 1979

Introduction

1. The Management Committee held its fifty-ninth meeting on 26 March 1979.

Adoption of the agenda

2. The Committee adopted the following agenda:

   1. Adoption of the agenda
   2. Adoption of the minutes of the fifty-eighth meeting (MCDP/60)
   3. Information required by the Committee under Article IV or other articles of the Arrangement:
      (a) General information
      (b) Information on the Decision of 10 May 1976
   4. Review of the market situation. Possible modification of the minimum price (possible anticipated application of a new minimum price)
   5. Other business

Adoption of the minutes of the fifty-eighth meeting (MCDP/60)

3. The Committee adopted the minutes in document MCDP/60.
Information required by the Committee under Article IV or other articles of the Arrangement

(a) General information

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

5. The representative of Australia indicated that he would be submitting to the secretariat corrections to the statistics contained in document MCDP/STAT/99/Add.3, dated 19 March 1979.

(b) Information under the Decision of 10 May 1976

6. The Committee had before it a summary table (MCDP/W/58/Rev.25) prepared by the secretariat and based on communications received in pursuance of the Decision of 10 May 1976.

7. Referring to document MCDP/W/54/Add.83 containing a communication from Canada, the representative of New Zealand asked whether the sale of 100 metric tons of powder to Taiwan by Canada under a contract dated 10 January 1979 concerned powder denatured prior to export of powder sold at prices higher than the minimum price.

8. The representative of Canada replied that all contracts concluded after 10 November 1978 had been for sales of skimmed milk powder denatured in Canada prior to export. He added that the contracts in question had covered deliveries of powder for animal feed purposes.

9. Referring to document MCDP/W/53/Add.55 containing a communication from New Zealand, the representative of the EEC asked whether the deliveries made to Japan in September, October and November 1978 under the provisions of document L/3552/Add.2, had been made in fulfilment of recent contracts or of old contracts concluded in previous years.

10. The representative of New Zealand indicated that the deliveries referred to by the representative of the EEC as well as the deliveries mentioned in document MCDP/W/53/Add.55 had been made under long-term contracts concluded approximately two years earlier. He intended, however, to ask his authorities about those small deliveries and hoped to be able to provide the Committee with information on the subject at its next meeting.

Review of the market situation. Possible modification of the minimum price (possible anticipated application of a new minimum price)

11. The Committee had before it a summary table (MCDP/W/65/Rev.10) prepared and updated by the secretariat for the information of delegations, concerning food aid in the form of skimmed milk powder.
12. The representative of New Zealand said that following an improvement in the level of the stocks held by the EEC, prices of skimmed milk powder in international trade had moved up and reached more realistic levels. The only depressing factor on prices was the level of export subsidization. New Zealand Dairy Board’s prices of skimmed milk powder for recombining were at US$540 per metric ton f.a.s. For new sales, the spot prices had been moved to US$570 per metric ton f.a.s. The supply position of skimmed milk powder had remained reasonably tight. This encouraging situation strengthened the rationale for increasing the minimum price. He hoped that the negotiations in the Sub-Group on Dairy Products would be concluded very soon. He concluded by suggesting to increase now the minimum price to US$1,25 per metric ton.

13. The representative of Australia recalled his statements recorded in the minutes of the previous meetings on the question of a possible modification of the minimum price. In the view of his delegation, the minimum price should be increased now in order to reflect the real market situation. He recalled that a new price of US$425 per metric ton had been negotiated in the Sub-Group on Dairy Products. He reiterated his proposal to increase now the minimum price to US$425 per metric ton.

14. The representative of Canada hoped that the negotiation on the International Dairy Arrangement would be completed very soon in the Sub-Group on Dairy Products. However, until some outstanding questions had been settled with respect to the proposed International Dairy Arrangement, his delegation was not in a position to agree at this time to any increase in the minimum price of skimmed milk powder under the existing Arrangement. He suggested that when an agreement would be reached on some outstanding questions the chairman could call a special meeting of this Committee in order to take a decision on the modification of the minimum price.

15. With regard to possible modification of the minimum price, the representative of the EEC indicated that if a consensus emerged in the Committee in favour of an increase in the minimum price, his delegation would not oppose such a consensus. He further informed the Committee that stocks of skimmed milk powder currently stood at 510,584 tons. At present, Community operators could export powder for human consumption at a price of approximately US$520-530 f.o.b. Export prices for animal feed purposes were approximately US$430-440 per metric ton f.o.b. and thus higher than the present minimum price as well as the proposed minimum price of US$425 per ton.

16. The representative of Canada informed the Committee that on 1 February 1979 stocks of skimmed milk powder had amounted to 79 million pounds (approximately 35,300 tons), or 64 per cent less than on 1 February 1978. At present, Canada was not exporting any powder for animal feed purposes. Current export prices of skimmed milk powder for human
consumption were about US$570 per metric ton. He also told the Committee that according to some, as yet unconfirmed, information the United States was preparing once again to offer Mexico powder for "welfare" purposes at prices below prevailing world prices. He recalled that, already in March 1978, the Commodity Credit Corporation (CCC) had entered into a contract with Mexico for the sale of 30,000 metric tons of skimmed milk powder at prices below the prevailing world prices. He expressed his concern that the United States was no doubt again planning to make further sales of that kind, which were obviously in the "grey area", at prices below prevailing world prices.

17. The representative of EEC observed that one could, of course, regret that the United States was planning additional sales of the type described by the representative of Canada. Nevertheless, in the opinion of his delegation, such sales could not be criticized as long as they were made at prices above the minimum price established under the Arrangement.

18. The representative of Japan indicated that his delegation did not consider it desirable for the Committee to proceed at the present time to raise the minimum price of skimmed milk powder established under the current Arrangement. If, however, a consensus emerged in the Committee in favour of an increase in the minimum price, his delegation would not oppose such a consensus.

19. The representative of Australia said that in his country the market for skimmed milk powder had firmed since December 1978. The current Australian export price was now in the vicinity of US$580 per metric ton f.o.b. Stocks of skimmed milk powder which had amounted to 38,092 metric tons on 31 December 1978 were fully committed for export. He stressed that both Australian and Canadian current export prices were considerably higher than the proposed new minimum price of US$425 per metric ton. He expressed his regret that the Canadian delegation was not prepared to accept now an increase in the minimum price. He hoped that as soon as the International Dairy Arrangement was finalized a special meeting of the Committee would be called immediately, in order to take a formal decision on the question of the modification of the minimum price under the existing Arrangement.

20. The representative of Japan submitted information on recent developments in the market for dairy products. Production of fresh milk was still increasing because of the low import price of feed supply which was made possible by the rising value of the yen in the exchange markets. Consumption of milk for drinking purposes was increasing but that increase was not as high as that of the production of fresh milk. The production of processed dairy products was continuing to increase thus creating surpluses because of a significant moderation in the demand and supply. Prices of butter and skimmed milk powder at the end of 1978 were lower than those at the end of 1977 and 1976. Present stocks of butter amounted to recent five months'
production while present stocks of skimmed milk powder amounted to eight months' production. He concluded by reiterating that, on the question of a modification of the minimum price, the position of his delegation was flexible.

21. The Committee noted that no consensus had emerged regarding modification of the minimum price under Article III, paragraph 3, of the Arrangement. Consequently, it was agreed to keep the item on the agenda.

Other business

**Skimmed milk powder used for welfare purposes in Japan**

22. The Committee examined a request by the Government of Japan for a derogation, under paragraph 5 of Article VII, from the provisions of paragraph 9 of Article III. The Committee had before it a communication from the delegation of Japan concerning its country's school lunch and welfare programmes (MCDP/W/106).

23. The Committee agreed to grant Japan, under Article VII, paragraph 5, a derogation from the provisions of Article III, paragraph 9, subject to the following conditions:

(a) the derogation is valid during the 1979/1980 fiscal year; deliveries made under the derogation shall cease no later than 1 April 1980;

(b) the derogation is valid for imports by Japan within the framework of school lunch and welfare programmes;

(c) the derogation is valid for imports up to 11,400 tons during the above fiscal year;

(d) Japan shall report to the Committee on the implementation of the programme and on the imports effected.

**Date of next meeting**

24. The Committee decided to hold its next meeting on 25 June 1979 subject to confirmation by the secretariat, it being understood that the Acting Chairman could convene a meeting before that date.
## ANNEX/ANNEXE

### 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>COMMUNAUTES EUROPEENNES</td>
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