Arrangement Concerning Certain Dairy Products

MANAGEMENT COMMITTEE

Minutes of the Sixtieth Meeting
Held on 25 June 1979

Introduction

1. The Management Committee held its sixtieth meeting on 25 June 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-ninth meeting (MCDP/61)

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

   (a) General information

   (b) Information under 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-ninth meeting (MCDP/61)

3. The Committee adopted the minutes in document MCDP/61.

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 first quarter of 1979 to do so promptly.

5. The representative of Australia indicated that he would be submitting to the secretariat that very day the data concerning the first quarter of 1979.
(b) Information under the Decision of 10 May 1976

6. The Committee had before it a summary table (MCDP/W/58/Rev.26) prepared by the secretariat and based on communications received in pursuance of the Decision of 10 May 1976.

7. The representative of New Zealand recalled that, following a question from the representative of the EEC at the previous meeting of the Committee, he had indicated that he was going to ask his authorities about the small deliveries of skimmed milk powder made to Japan under the provisions of document L/3552/Add.2 (MCDP/61, paragraph 10). His delegation had sent the secretariat a communication (MCDP/W/53/Add.56) indicating that there were only about 3,000 metric tons outstanding on contracts entered into in August 1976, which would be shipped in June and July 1979. He observed that, as the Decision of 10 May 1976 had been rescinded effective 10 November 1978 and as the last deliveries of skimmed milk powder under that Decision had been made not later than 10 May 1979, some of the data concerning sales of skimmed milk powder for purposes of animal feed at prices lower than the minimum price should be communicated and circulated under paragraph 5 of Article III of the Arrangement and not in pursuance of the Decision of 10 May 1976.

8. Referring to the summary table in document MCDP/W/58/Rev.26, the representative of the EEC noted that page 19 indicated that sales of exporting participants to Japan and Spain under the waivers of these two importing countries amounted to about 283,000 tons and 227,000 tons respectively. He then referred to the statistics furnished by Japan and Spain as reproduced in documents MCDP/STAT/96/Add.3 and MCDP/STAT/102/Add.3, respectively, and pointed out that there were differences between the import statistics for 1977 and 1978 as supplied by Japan and Spain, and the data transmitted by the exporting participants and reported on page 19 of the summary table in document MCDP/W/58/Rev.26. He invited the representatives of Japan and Spain to provide the Committee with clarification concerning the differences between those statistics.

9. In reply to the question put by the representative of the EEC, the representative of Japan pointed out that considerable time could elapse between the moment when goods left the customs territory of the Community and the moment when they cleared customs in Japan. That was undoubtedly the reason for the differences between the statistics furnished by the exporter and those furnished by the importer. Nevertheless, his delegation intended to communicate to its authorities the question raised by the representative of the EEC and hoped to be able to provide information on the subject, probably at the next meeting.
10. The representative of Spain reminded the Committee that in his country imports of skimmed milk powder were subject to a system of import declarations. Import declarations were filed for all signed contracts, whether or not the contracts were actually performed. He also pointed out that there was no provision in Spain’s legislation permitting his authorities to compel an importer to make full use of an import declaration authorizing the importation of a product. He further observed that a product stored in a Spanish free port had not entered Spain’s customs territory. The statistics communicated to the secretariat, however, concerned quantities which had effectively entered his country’s customs territory. In short, if the quantity of approximately 80,000 tons at present in free port was added to the import data for 1977 and 1978 appearing in document MCDP/STAT/102/Add.3, the difference referred to by the representative of the EEC was very small. In conclusion, he said that his authorities would be making an investigation on the subject and would report to the Committee as soon as possible.

11. The representative of the EEC noted that according to certain information there were difficulties in the movement of goods in the free port of Santander, where 80,000 tons of skimmed milk powder had now accumulated awaiting alteration. Nevertheless, there was a difference between the sales of exporters to Spain and the quantities situated in free port and on Spain's customs territory which amounted to about 50,000 tons. He therefore wondered whether the Spanish authorities could not make an effort to co-operate by requiring importers to post a bond in order to forestall any diversion. He concluded by urging the Spanish authorities to start studying a system of control designed to thwart such traffic.

12. The representative of Spain said that the apprehensions expressed by the representative of the EEC were shared by his authorities. Apart from methods of a financial nature, there were various other formulas including a statistical study of imports and exports in free ports. He was hopeful that the problem raised by the representative of the EEC was on the way to solution and would be completely solved by 1980.

13. It was recalled that at its 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 document 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). Subsequently, it had been reaffirmed (MCDP/59, paragraph 14) that those measures would continue to be applied in the case of sales of unaltered skimmed milk powder to Spain under the provisions of document L/3552/Add.4.
14. The representative of New Zealand wondered whether exporting participants were now forwarding copies of customs clearance documents to the GATT secretariat.

15. It was pointed out that the summary table in document MCDP/W/58/Rev.26 indicated import declarations and customs clearance certificates filed by the EEC in the amount of 79,423 tons and 66,239 tons, respectively. Some documents of that kind had reached the secretariat very recently and had been distributed as addenda in the MCDP/W/59 series.

16. The representative of the EEC explained that the services of the Commission prepared a data sheet for each import declaration communicated by exporters. The import declaration bore a number which was mentioned on the customs clearance report whenever goods were cleared. As the customs clearance reports arrived at the Commission, the competent services were in a position to harmonize them with the import declaration which originated the contract. If at the end of the deliveries, the import declaration was not completely harmonized, the competent financial authorities of the Community could take appropriate action, for example they could refrain from paying the refund or from reimbursing the bond, and thus ensure performance of the contract.

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

17. The Committee had before it a summary table (MCDP/W/65/Rev.11) prepared and updated by the secretariat for the information of delegations, concerning food aid in the form of skimmed milk powder.

18. The representative of Canada said that unfortunately his country had still been unable to resolve some major outstanding issues relating to the new International Dairy Arrangement. Consequently, until that time came, his delegation would be unable to agree to any increase in the minimum price of skimmed milk powder under the existing Arrangement.

19. The representative of New Zealand said that despite the continuation of European export subsidies which constituted a depressing factor on prices, New Zealand had had some success in negotiations for recombinining plant contracts for the second half of 1979. For new sales, prices had been moved to US$590 per metric ton f.a.s. Following an improvement in the levels of the stocks held by the EEC, prices of skimmed milk powder in international trade had moved up and now were close to US$600 per metric ton. The supply position of skimmed milk powder had remained reasonably tight. He recalled that under
the existing Arrangement the criteria for increasing the minimum price were
the results of the application of the Arrangement and the evolution of the
situation of the international market. This encouraging situation of the
international market strengthened the rationale for increasing the minimum
price. His delegation was disappointed because the Canadian delegation, for
completely extraneous reasons, could not agree to an increase in the minimum
price.

20. The representative of Australia said that his delegation could share the
views just expressed by the representative of New Zealand. The prices of
skimmed milk powder in international trade were approaching US$600 per
metric ton f.o.b. The maintenance of a very low minimum price of US$350 per
metric ton called into question the effectiveness of this Arrangement. In
the view of his delegation, if the minimum price was not adjusted from time
to time, the Arrangement was in danger of falling into disuse and ceasing to
have any realistic base at all. For all these reasons, the Management
Committee should increase now the minimum price to US$425 per metric ton f.o.b.

21. The representative of the EEC informed the Committee that following the
recent reduction in the refund, the export price of skimmed milk powder could
be raised by a minimum US$50 per ton. Accordingly, with the exception
of 252,000 tons for which refunds had been prefixed since 1 January 1979,
exports could be based on a minimum price of US$550 per metric ton. He also
informed the Committee that on 14 June 1979 stocks of skimmed milk powder
amounted to 443,503 tons. He added that, towards the end of the summer, the
stocks should in all likelihood not burden the international market, especially
as rather large quantities of powder for purposes of pig and poultry feed
were being sold within the Community at very low prices. The present state of
the international skimmed milk powder market seemed satisfactory since world
market prices were fluctuating between US$550 and 600 per metric ton. His
delegation regretted that for reasons unrelated to criteria for modification
of the minimum price, Canada could not indicate its agreement to increasing
the minimum price to US$425 per metric ton. He invited the delegation of
Canada to make efforts to ensure a smooth transition from the present
Arrangement to the International Dairy Arrangement. He suggested to the
delegation of Canada that it would no doubt be advisable for the Canadian
authorities to begin taking note of all contracts concluded at prices
below US$425 per metric ton so as to be able to notify them as soon as the
International Dairy Arrangement entered into force. In conclusion, he
informed the Committee that the Council of Ministers had recently decided not
to modify the intervention price of skimmed milk powder. Thus, for
the 1979/80 marketing year, the intervention price of skimmed milk powder
would be the same as for the preceding year.
22. 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.

Date of next meeting

23. The Committee decided to hold its next regular meeting during the week beginning on Monday, 24 September 1979. The exact date of the meeting would be fixed in consultation with the delegations and confirmed by the secretariat. It was understood that the Acting Chairman could convene a meeting of the Committee before 24 September 1979.
Annex/Annexe

List of Representatives/Liste des Représentants

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

- Australia
  Mr. I. Anderson
  Mr. R. Moore

- Belgium
  M. H. Hooyberghs

- Canada
  Mr. R. Wright

- Denmark
  Mr. P. Poulsen
  Mr. S. Christensen

- Communities European Commission
  M. A. Barsuglia

- France
  M. R. Louzé
  M. M. Leflon

- Germany, Federal Rep. of
  Mr. J. Steffen

- Ireland
  Mr. B. Cannon

- Japan
  Mr. H. Ueno
  Mr. O. Nozaki

- Netherlands
  Mr. R. Hoogesteger

- New Zealand
  Mr. A.H. McPhail

- Spain
  Mr. M.A. Díaz-Mier
  Mr. J.M. Sanz Pinal

- Switzerland
  Mr. M. Besson
  Mr. R. Beuret

- United Kingdom
  Mr. R.C. Lowson