Arrangement Concerning Certain Dairy Products

MANAGEMENT COMMITTEE

Minutes of the Sixty-Second Meeting
Held on 1st December 1979

Introduction

1. The Management Committee held its sixty-second meeting on 14 December 1979.

Adoption of the agenda

2. The Committee adopted the following agenda:

1. Adoption of the agenda
2. Adoption of the minutes of the sixty-first meeting (MCDP/63)
3. Information required by the Committee under Article IV or other articles of the Arrangement
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 sixty-first meeting (MCDP/63)

3. The Committee adopted the minutes in document MCDP/63.

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

4. The Committee requested members which had not yet furnished data for the third quarter of 1979 to do so promptly. Those data will be circulated in the MCDP/STAT document series.
Review of the market situation. Possible modification of the minimum price (possible anticipated application of a new minimum price)

5. The Committee had before it a summary table (MCDP/W/65/Rev.13) prepared and updated by the secretariat for the information of delegations, concerning food aid in the form of skimmed milk powder. It also had before it a document setting forth annual statistics for skimmed milk powder and milk fat, which had been prepared by the secretariat in response to the request made by the Committee at its meeting of 28 September 1979 (MCDP/W/109, MCNF/W/29).

6. The representative of the EEC informed the Committee that stocks of skimmed milk powder had continued to decline, and at 13 December 1979 had amounted to only 236,548 tons. Market prices were above the intervention price by 10 to 11 ecus and sometimes even 12 ecus per 100 kgs. Taking into account the very low level of stocks and the upward trend in prices of skimmed milk powder in international trade, the Commission had decided to reduce the refund rate for skimmed milk powder as from 1 December 1979. Taking into account the new refund rate of 63 ecus per 100 kgs., Community operators were able to export skimmed milk powder at prices in the region of US$850-900 per metric ton f.o.b. Even at that price level, Community operators had effected some small sales in the world market, and that fact showed that prices of skimmed milk powder in international trade had strengthened substantially.

7. The representative of Australia said that the market situation for skimmed milk powder had firmed substantially in recent months. Due to tight supply conditions in Australia, authority to export skimmed milk powder had remained under suspension. On the question of a possible modification of the minimum price, the representative of Australia recalled his statements recorded in the minutes of the previous meetings of the Committee. He recalled that the minimum price should be increased for economic reasons in order to reflect the real market situation. He recalled that it would be useful to ensure a smooth transition from the present Arrangement to the International Dairy Arrangement. He recalled that in the previous meetings of the Committee all members but one had agreed to an increase in the minimum price. He recalled also that Canada had not indicated its agreement to increasing the minimum price to US$425 per metric ton for reasons unrelated to criteria for modification of the minimum price. The credibility of the present Arrangement could be called into question if the Committee were not able to agree to an increase in the minimum price. For all these reasons, the Management Committee should increase now the minimum price to US$425 per metric ton f.o.b.
8. The representative of Canada said that, on the question of a possible modification of the minimum price, the position of his Government had not changed. He added that unfortunately his country had still been unable to resolve a major problem relating to the Protocol Regarding Certain Milk Powders of the new International Dairy Arrangement. He recalled that Article 2 of the Protocol Regarding Certain Milk Powders provided for the use of an f.o.b. price for skimmed milk powder as the basis for the minimum price. He said that the major outstanding issue was still the question of f.o.b. pricing for skimmed milk powder. He added that his authorities were still undertaking bilateral discussions with some major trading partners with a view to resolving the question of the Canadian reservation to the Protocol Regarding Certain Milk Powders of the International Dairy Arrangement. He hoped that an agreement would be reached on that outstanding question. He concluded by stating that 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.

9. The Committee noted that no consensus had emerged regarding modification of the minimum price under Article III:3 of the Arrangement.

10. In response to the request made by the Committee at its meeting of 28 September 1979 (MCDP/63, paragraph 11), the observer of the United States handed to the secretariat the following communication on the United States' sales of non-fat dry milk to Mexico. There had been two such sales in recent years. One had been concluded in 1978 for 30,000 metric tons, of which shipments had been completed in July of 1978. This milk powder had been sold to the Mexican Government and/or charitable organizations for non-commercial uses. While the prices which were negotiated were less than the commercial price, they were at approximately the world price level. A similar sale of 30,000 metric tons had been concluded in August of 1979. Shipments of the non-fat dry milk had started in November of this year. The price for this milk powder at the time the sale was concluded was at approximately the world price level. However, the world price for non-fat dry milk was now rising, so the original selling price was now below the world price and the present United States' price for non-commercial sales of non-fat dry milk.

11. The representative of Canada handed to the secretariat the following communication on the market outlook in calendar year 1979 and market situation for Canadian dairy year (1 April to 31 March). Farm sales of all types of milk and cream is estimated at 6,924 million litres, up less than 1 per cent from calendar year 1978. The outlook for calendar year 1980 is likely to be a moderate increase in the order of 4 per cent. Industrial milk sales and use is estimated at 4,376.2 million litres, down 0.6 per cent over calendar year 1978. Cheese production is up - cheddar production is estimated at 95,100 metric tons (18 per cent over calendar year 1978) and other cheese production
is at 63,100 metric tons (6.4 per cent over calendar year 1978). Domestic disappearance of all cheeses is 171,400 metric tons, up 10 per cent. The outlook for calendar year 1980 is for an increase in both the disappearance and production of cheese. Butter production is estimated at 96,500 metric tons, down 6 per cent from calendar year 1978. Consumption is at 101,400 metric tons, down 4 per cent. Skimmed milk powder production is at 115,000 metric tons, down 12 per cent from calendar year 1978, reflecting lower butter output and increased amounts of butter made from skim-off of butterfat resulting from standardization of low fat (2 per cent) fluid milk. Total domestic demand for skimmed milk powder is estimated at 55,000 metric tons. Stocks as of 1 January 1980 are estimated at about 17,000 metric tons, a drop of 60 per cent from 1 January 1979. All skimmed milk powder stocks held by the Canadian Dairy Commission have been sold for export. For calendar year 1980, skimmed milk powder production is expected to decrease by a further possible 9 per cent over calendar year 1978 and the exportable surplus from 1980 production is expected to be around 50,000 metric tons. The situation to date in 1979-80 year is the following. Total milk production, April to September: 38.59 million hectolitres, down 8.4 per cent against 1978-79; industrial milk production, April to October: 29.52 million hectolitres, down 2.7 per cent; butter production, April to October: 69.3 thousand metric tons, down 5.2 per cent; cheddar production, April to October: 59.5 thousand metric tons, up 15.1 per cent; other cheese production, April to September: 31.5 thousand metric tons, up 5.0 per cent; skimmed milk powder production, April to October: 90.2 thousand metric tons, down 11.0 per cent; skimmed milk powder stocks, at 1 November 1979: 32.7 thousand metric tons, down 12.1 per cent.

Other business

12. It was recalled that under the final provisions of the International Dairy Arrangement, acceptance of that Arrangement would carry, as from the date of its entry into force, denunciation of the Arrangement Concerning Certain Dairy Products for participants having accepted that Arrangement, and denunciation of the Protocol Relating to Milk Fat for participants having accepted that Protocol.

13. The representative of New Zealand said that his Government had been very pleased with the way this Arrangement had worked. On this basis, his Government wholeheartedly had moved to take part in the negotiations for the International Dairy Arrangement and it intended to join the new Arrangement. His Government was therefore looking forward to the new year with expectation that international co-operation would be improved even if a whole new deal on dairy products had not been achieved.
14. The representative of Australia said that his authorities appreciated the work which had been carried out by this Arrangement and by the secretariat in servicing this Committee. His delegation had been somewhat disappointed that certain decisions had not been taken in the Committee, but overall his delegation considered that this Arrangement had been a worthwhile and useful Arrangement for the dairy industry. His authorities were looking forward to increased co-operation and positive work in the new International Dairy Arrangement. The representative of Australia requested that his statement be recorded in the minutes of the meeting.

Procedure to be followed for adoption of the minutes of the sixty-second meeting

15. It was decided that if no corrections were received by the secretariat within twenty working days following the date of distribution of the draft minutes of the current meeting, the minutes would be deemed approved. Any corrections received by the secretariat within that period would be communicated to the participants. Subject to any other comments by a participant within fifteen working days following the date of circulation of such corrections, the revised minutes would be deemed approved.
ANNEX/ANNEXE

List of Representatives/Liste des Représentants

Acting Chairman: Mrs. F. Hubert
Président par intérim: Mrs. F. Hubert

- AUSTRALIA
  Mr. I. Anderson
  Mr. R. Moore

- BELGIUM
  M. H. Hooyberghs

- CANADA
  Mr. R. Wright

- DENMARK
  Mr. H. Bendz

- COMMUNAUTES EUROPEENNES COMMISSION
  M. A. Barsuglia

- FRANCE
  M. R. Louzé

- GERMANY, FEDERAL REP. OF
  Mr. J. Steffen

- IRELAND
  Miss B. Cannon

- ITALY
  Mr. R. Trioli

- JAPAN
  Mr. H. Ueno
  Mr. O. Nozaki

- NETHERLANDS
  Mr. M. Hooges Teger

- NEW ZEALAND
  Mr. J. Yeabsley

- SPAIN
  Mr. M.A. Díaz-Mier
  Mr. J.R. Prieto

- SOUTH AFRICA
  Mr. D.J. Bezuidenhout

- SWITZERLAND
  Mr. R. Beuret

- UNITED KINGDOM
  Mr. R.C. Lowson

OBSERVER/OBSERVATEUR

- UNITED STATES
  Mr. A. Cruit

- HUNGARY
  Mr. S. Szabó