

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## International Dairy Arrangement

### COMMITTEE OF THE PROTOCOL REGARDING CERTAIN MILK POWDERS

#### Twenty-Third Session

#### Draft Report

#### Introduction

i. The Committee of the Protocol Regarding Certain Milk Powders held its twenty-third session on 23-24 September 1985.

#### Adoption of agenda

2. The Committee adopted the following agenda:
  1. Adoption of report on the twenty-second session
  2. Information required by the Committee
    - (a) Replies to Questionnaire 1
    - (b) Summary tables
    - (c) Other information
  3. Review of the market situation for products covered by the Protocol
  4. Review of the level of minimum prices under Article 3:3(b) for products covered by the Protocol
  5. Adjustment of minimum prices according to exchange rate fluctuations
  6. Report to the Council
  7. Date of next session and calendar of meetings in 1986.

Adoption of report on the twenty-second session

3. The Committee adopted the report on its twenty-second session. This was distributed as document DPC/P/37.

Information required by the Committee

(a) Replies to Questionnaire 1

4. The Committee reviewed the replies to Questionnaire 1 and requested members who had not yet communicated such information in respect of the second quarter of 1984 to do so without further delay. Participants were also reminded to submit information regarding the third quarter of 1985 not later than 15 December 1985.

(b) Summary tables

5. Summary tables based on information normally supplied in Tables A and B of Questionnaire 1 regarding milk powders were not available because the second quarterly data had not yet been received from all the participants. The Committee, however, had before it the summary tables provided in the annex of document DPC/W/47, covering data up to 15 August 1985. The Committee took note of such information and observed that revised summary tables should be issued when complete data were available.

(c) Other information

6. The representative of the EEC asked the secretariat to prepare a report for each regular meeting of the Committee on exports of skimmed milk powder and butter milk powder under the derogation provided for in Article 3:5 of the Protocol. It was so decided and a document containing information up to end September 1985 was issued as DPC/P/W/30.

Review of the market situation for products covered by the Protocol

7. The delegate of Uruguay said that production of skimmed milk powder in the first half of 1985 at 1,918 tons was about 20 per cent higher than the level of the corresponding period of last year. But exports were comparatively lower than in the same period of last year, and stocks had increased from 2,000 tons on 1 April to 2,600 tons on 1 July 1985. Exports were by and large to the neighbouring region - Argentina and Brazil - and average export prices showed some improvement in the second quarter of 1985 from US\$1,060 to US\$1,200 per ton f.o.b. The output of whole milk powder in the first six months of 1985 at 900 tons was more than twice the level in the corresponding period of last year. Internal consumption had increased somewhat in the second quarter of 1985. Average export price of whole milk powder, however, deteriorated somewhat, from US\$1,300 per ton in the first quarter to US\$1,200 per ton f.o.b. in the second quarter of 1985. In reply to a question, he noted that these prices applied to exports in packages of 25 kgs. or more.

8. The representative of Switzerland indicated that production of skimmed milk powder in the first six months of 1985 was slightly lower than the level in the same period of last year. Domestic consumption had declined more sharply. Utilization of skimmed milk powder for animal feed had been reduced because farmers currently preferred to give their calves fresh milk in order not to exceed their quota. As a result, stocks of skimmed milk powder had increased from 14,000 tons at the end of June to 17,000 tons at the end of August 1985. Concern was being felt over the level of stocks.

9. The representative of Sweden indicated that production of skimmed milk powder in the first half of 1985 was about 300 tons lower than the level in the corresponding period of last year. Domestic consumption during this period increased somewhat. Swedish exports of skimmed milk powder in the first half of 1985 at 18,600 tons were about 8,300 tons more than in the first six months of 1984, but exports in the third quarter were expected to be below the level of the third quarter of last year. Stocks on 1 July 1985 were 13,000 tons, i.e. 5,600 tons less than the level at the same time of last year. Average export price in September was US\$660 per ton f.o.b.

10. The Norwegian delegate informed the Committee that the output of skimmed milk powder in the first half of 1985 was 5 per cent lower as compared to the level in the corresponding period of last year. Stocks were also 13 per cent down on the level of last year. Norway was not on the export market this year.

11. The representative of Finland reported that production of skimmed milk powder had decreased by 12 per cent during the first half of 1985, compared to the level in the corresponding period a year before. The output for the entire year was expected to be 48,000 tons, i.e. 20 per cent less than in 1984. Stocks at the end of June 1985 were estimated at 14,300 tons, compared to 20,200 tons a year earlier. Exports in 1985 were reckoned at 12,500 tons or 3,400 tons more than in the previous year. In 1985, the use of skimmed milk powder for animal feeding was estimated to be 24,000 tons, which was 10,000 tons less than in 1984. Average export price (including exports of lactose hydrolyzed skimmed milk powder) in the second quarter was US\$807.5 per ton f.o.b. With regard to whole milk powder, the forecasts for 1985 suggested that production would increase from 31,000 tons in 1984 to 34,000 tons in 1985. Correspondingly, exports were also expected to rise from 30,000 tons to 33,500 tons. Average export price of whole milk powder during the second quarter of 1985 was US\$954 per ton f.o.b.

12. The representative of South Africa pointed out that production figures reported earlier for the first quarter of 1985 had been revised due to an error at the manufacturing plant. During the second quarter, production of skimmed milk powder amounted to 3,878 tons, which was customary for this time of year. The Dairy Board's estimates for the third quarter suggested a high production level of 6,682 tons due to an anticipated increase in the production of fresh milk. The consumption level had remained fairly constant and could be expected to remain so at a level of 4,710 tons during the third quarter. Expectations with regard to exports during the second quarter were not realized, when exports were of the order of 323 tons. No exports or imports were envisaged for the third quarter of 1985. Stocks at the end of September were calculated at 16,693 tons. In regard to whole milk powder, he

indicated that production figures for the first quarter had also been revised. In the second quarter, the output had decreased to 2,026 tons, which, however, was anticipated to pick up to a more normal level of 2,763 tons during the third quarter. The level of consumption of whole milk powder during the third quarter was expected to reach 2,965 tons. No imports or exports were foreseen and stocks were anticipated to amount to 675 tons at the end of September.

13. The delegate of Poland mentioned that stocks of skimmed milk powder at the beginning of the six-month period were more than 18,000 tons. Production at the end of the first half of 1985 was 72,300 tons, while domestic consumption amounted to 54,100 tons, 24,100 tons for human consumption and 30,000 tons for animal feed. Stocks at the close of the second quarter dwindled to 13,800 tons.

14. The representative of New Zealand estimated that production of skimmed milk powder in the 1985/86 season would be 35,000 tons less at around 170,000 tons as against 205,000 tons produced in 1984/85. This reflected the expected decline in total milk production, some marginal increase in whole milk powder production, but most significantly the termination of the disincentives which were applied in the 1984/85 season against the production of casein. Referring to exports of skimmed milk powder, he indicated that the figures supplied to the secretariat did not include exports for animal feed. Total exports for human consumption and as animal feed during the year up to June were of the order of 200,000 tons. Stocks of skimmed milk powder had been held at comfortable levels, with excess inventories and stocks of downgraded or off specification powder disposed of to animal feed, principally through exports. There had been some increase in the domestic use of milk powder for animal feed, but the market was very small and the opportunities for expanded use in this area were strictly limited. The current stock position was comfortable and, with the expected reduction in production in the current season, was expected to remain so. With regard to whole milk powder, he asserted that production in New Zealand, as elsewhere, was undertaken only against actual or firmly expected sales. The actual production level in 1985/86 was therefore linked with market developments, which was not expected to be markedly different

from the level of production recorded in the 1984/85 season. If all sales opportunities currently foreseen were to be realized, there could be some marginal increase on the 137,000 tons produced in 1984/85. Because production was only undertaken for the market, stock figures were not particularly meaningful representing, in the main, seasonal variations in production relative to offtake. Discussing the international market situation, he pointed out that the major factor influencing milk powder prices over the last three months had been variations in the value of the United States dollar against major European and other currencies. These movements had operated to substantially lift export prices denominated in the United States dollar. The lift to skimmed milk powder prices was given added impetus by the generally lighter supply position facing major exporters, especially for fresh production powder. He observed that the European Community had made no change to the skimmed milk powder export subsidy when it made the general adjustment to other dairy restitutions in June and this, together with the increase in the skimmed milk powder intervention price in May, contributed to a significant lift in Community export offer prices which other exporters had matched. Prices were currently in the range of US\$750-\$800 per ton f.o.b. On the other hand, prices of whole milk powder were substantially depressed by the unwarranted increase in the EEC export subsidy on whole milk powder in June, which brought Community export offer prices back to the level to which they had fallen in February under the influence of currency movements. Subsequently, however, they had improved as the US dollar declined against major European currencies and were now in the range of US\$970-\$1,010 per ton f.o.b.

15. The delegate of Japan stated that Japanese imports of skimmed milk powder in 1984 at 90,288 tons were about 2 per cent less than last year, due to a decrease of 3 per cent in imports of skimmed milk powder for animal feed purposes at 70,052 tons. The LIPC imported 8,000 tons of skimmed milk powder for human consumption purposes to build up its stocks early this year. Total imports during the first half of 1985 aggregated 6 per cent more than in the same period of last year. The average import price of skimmed milk powder during 1984 was US\$693 per ton c.i.f. for animal feed purposes, and US\$878 per ton c.i.f. for human consumption purposes. In 1981, the average prices

were US\$1,067 per ton c.i.f. and US\$1,217 per ton c.i.f. respectively. Average prices paid during the month of July were US\$618-\$714 for animal feed and US\$753-\$852 per ton c.i.f. for human consumption. Referring to domestic production of skimmed milk powder during the fiscal period April-June, he indicated that there was a 13 per cent increase compared to the level of the previous year. The market situation had eased somewhat in 1985, after having shown a precarious balance in the previous year.

16. The representative of Australia indicated that production of skimmed milk powder/butter milk powder in 1984/85 at 149,300 tons was 15 per cent above the 1983/84 level of 129,600 tons, due to an increase in butter production and a reduction in casein output. While the output of skimmed milk powder increased from 121,200 tons in 1983/84 to 141,000 tons in 1984/85, the butter milk production decreased from 8,400 tons to 8,300 tons over this period. The marginal increase expected in 1985/86 in casein production would result in a slight fall in skimmed milk powder output in 1985/86. Total output of skimmed milk powder/butter milk powder was expected to fall to 148,500 tons (skimmed milk powder at 140,000 tons and butter milk powder at 8,500 tons). Export availability of skimmed milk powder/butter milk powder was expected to be around 111,000 tons in 1985/86, on the basis of desirable closing stocks of 10,000 tons. Exports of skimmed milk powder in 1985/86 would be 105,400 tons as compared to 115,600 tons in 1984/85, and butter milk powder at 6,000 tons as compared to 9,600 tons in 1984/85. As regards whole milk powder, output in 1984/85 at 44,700 tons was 1.4 per cent up on 1983/84 output of 44,100 tons. In 1985/86, production was forecast to increase by around 12 per cent to 50,000 tons in response to an increase in market demand. If this did not materialize, then the milk was likely to be diverted into butter/skimmed milk powder. Exports of whole milk powder in 1985/86 were expected to be close to the level of availability of 38,300 tons as against exports of 36,200 tons in 1984/85 and 30,700 tons in 1983/84. Average export prices of skimmed milk powder recorded were US\$750-\$800 per ton f.o.b. and for whole milk powder US\$1,000 per ton f.o.b.

17. The spokesman for the EEC estimated that the production of skimmed milk powder in 1985 could be 8 per cent below the 1984 level. The Community stocks on 12 September 1985 totalled 479,204 tons. Of the total stocks of 1,080,000 tons held by all the main producers on 1 September 1985, the EEC held 462,000 tons and the United States 437,000 tons. The latter country, which had exported 264,000 tons of skimmed milk powder in 1984, was expecting to export 315,000 tons in 1985, mainly as food aid. Having regard to the importance of the United States in the dairy sector, the EEC representative asked the secretariat to collect more recent statistical data concerning the market situation in that country for dairy products. With respect to prices of milk powders, Community operators were currently able to export skimmed milk powder at prices between US\$685 and US\$700 per ton f.o.b., while whole milk powder could be exported at prices between US\$890 and US\$920 per ton f.o.b. In reply to a question by the representative of New Zealand he indicated that casein production in the EEC was likely to decline by 1.8 per cent in 1985. The increased Community export figures of skimmed milk powder, which included food aid, showed that commercial exports had increased while food aid had gone down in the first six months of 1985.

18. The representative of New Zealand agreed that the United States being an important exporter had a considerable influence on aggregate trade flows. The secretariat should collect more recent data on their trade, including the food aid operations.

19. The representative of Australia, in supporting this proposal, observed that the Consultative Sub-Committee on Surplus Disposal (CSD) was the right forum to consider the impact of concessional disposals on normal trade flows. While Australian stocks were coming down, EEC stocks were increasing due to weak demand. It was not clear whether this could be attributed to domestic disposal policies or to some other factors.

20. The observer of Canada told the Committee that skimmed milk powder production in the first six months of 1985 totalled 55,900 tons, which was about 19 per cent less than in the corresponding period of the previous year. Exports were, however, 32 per cent higher at a level of 32,200 tons during the same period. During 1985/86 exports were likely

to reach a total level of 70,000 tons. During the first quarter of 1985, 16,380 tons of skimmed milk powder were exported at an average price of US\$725 per ton f.o.b., while in the second quarter, 15,790 tons were exported at an average price of US\$773 per ton f.o.b., about 11,170 tons of which went to Mexico alone. The stock situation was normal, with 30,767 tons on 1 August 1985.

Review of the level of minimum prices under Article 3:3(b)

21. The Chairman recalled that under Article 3:3(b) of the Protocol on Milk Powders, the Committee was expected to review the level of minimum prices at least once a year, in September, in the light of factors such as costs faced by producers, other relevant economic factors of the world market, the need to maintain stability of supply and to ensure acceptable prices to consumers, and the current market situation. He invited participants to give their views on this question.

22. The representative of Poland expressed the view that the existing level of minimum prices ought to be suspended until the situation on the dairy market was stabilized. Alternatively, the minimum prices should be reduced to the present market price level. He believed that the existing minimum price level did not correspond to the market prices and in effect discouraged exports of dairy products. Besides, they were not observed by some participants, which made it difficult for other countries to export, observing the GATT minima. The result was an increase in stocks of dairy products in countries not able to compete with more efficient producers.

23. The representative of New Zealand retorted that a number of participants did not see merit in suspending the minimum prices, nor did they see the urgency or usefulness of reducing the minimum prices to the level of market prices. The minimum price provision was the key mechanism which added to the value of the International Dairy Arrangement. It was doubtful that minimum price level was not observed as had been alleged by the representative of Poland.

24. The Uruguayan delegate shared the view of New Zealand that the minimum price provision was fundamental to the International Dairy Arrangement. A reduction in the minimum price level at that stage would be detrimental to the small developing exporting countries, while being more beneficial to countries who could subsidize their exports substantially.

25. The spokesman of the EEC agreed with the views expressed and said that the International Dairy Arrangement had served a useful purpose in the last five years and that the participants had not failed in their task. If Poland had experienced any particular difficulties with the working of the price mechanism, it could bring the matter up for consideration in the Protocol Committees and suggest appropriate solutions at the next meeting. His delegation believed that, taking the new minimum prices set on 5 June 1985 into consideration, it would not be too useful to modify those prices at the current session. The Committees could examine the question of a possible modification of minimum prices before the next regular annual review.

26. The representative of New Zealand stated that while the Committee was under an obligation to review the minimum prices at that meeting, his delegation felt that a reduction of minimum prices was not appropriate since it was not likely to result in an increase of total sales on the international market. Some dairy products were trading at higher than the minimum prices, such as skimmed milk powder. General confidence had increased in the dairy market after the revision of prices in June 1985. Market prices had firmed up somewhat due to a decline in the value of the United States dollar. Returns to his country's producers would have been drastically reduced if it were not for the devaluation of the New Zealand currency.

27. The representative of Australia shared the New Zealand view that credibility of the International Dairy Arrangement had been somewhat restored with the last revision of the minimum prices. His delegation was of the view that adequate steps should be taken to enforce the minimum prices agreed upon. A paper regarding the question of the

adequacy of measures taken by participants to ensure observance of minimum prices had been circulated by his country in document DPC/W/52, and consequently they expected the International Dairy Council to discuss this question while reviewing the functioning of the Arrangement.

28. The Committee took note of the different points of view and left further discussions on this subject for the Council.

Adjustment of minimum prices according to exchange rate fluctuations

29. In commencing the discussion at the joint meeting of the Protocol Committees, the Chairman recalled that the Australian note on adjustment of minimum prices in accordance with fluctuations in exchange rates had originally been circulated in document DPC/W/46. Australia had now provided additional views on this subject which together, with updated graphs for their previous document, had been distributed in document DPC/W/46/Add.1. He recalled that during discussions held earlier on this subject, some interesting ideas had emerged which could now be pursued further with the aim of finding a satisfactory solution.

30. The representative of the EEC expressed his gratitude for the Australian paper on this subject, which essentially covered all the important elements. The Community had not been able to submit any written statement because the subject was still being thoroughly examined in the context of a general arrangement concerning the reference currency that could be adopted for all commodity sectors. The EEC, in the light of the on-going discussions in the Protocol Committees, was therefore not in a position to present a well-structured paper containing appropriate long-term proposals. However, it was prepared to discuss the issues with other participants until satisfactory solutions were found.

31. The representative of Australia stated that his country would like to tackle this problem in a satisfactory manner, and, having submitted its views in the afore-mentioned documents, felt obliged to keep it on the agenda until a solution was found. If the EEC were not in a position to submit any proposals, it would probably be appropriate now to drop this item from the agenda and bring it back for discussions when the EEC was more prepared to do so.

32. The spokesman of the EEC replied that no concrete approach could be adopted in the present circumstances when the United States dollar was perpetually moving up and down. Referring to the recent high-level meeting of the Big Five in Washington, he said that any proposals regarding the link between the minimum prices and the value of the US dollar at the present juncture would be premature and dangerous. He was, nevertheless, prepared to listen to the views of other participants and to benefit from their advice.

33. The representative of New Zealand said that his country's views on this question had already been given a wide coverage in document DPC/C/37 and therefore, he did not want to repeat the same old arguments. He was gratified to note that the question of reference currency covering trade of different commodity sectors was currently under examination in the Community. He was, however, not sure about the EEC's original proposal regarding the setting up of a small working group in the absence of clear terms of reference. He fully agreed with the EEC that the problem of fluctuations in the US dollar was very much alive and the currency situation was far from being stable. The central concern of all participants was that minimum prices should contribute to some stability rather than to fluctuate constantly with movements in the United States dollar exchange rate. For this reason, New Zealand was opposed to an automatic mechanism. As a result of a close study of the current situation, his authorities had come to the conclusion that currently an across-the-board adjustment of minimum prices would become necessary if the movements of the US dollar were fully accommodated under a mechanical self-adjusting system. This would, however, be quite wrong in the present circumstances. He was therefore in favour of adopting a Resolution or an Undertaking on an automatic review of the minimum prices under Article 3:3(b) procedures. He fully shared the Australian view that under Article 3:3 the Committees were implicitly required to take into account the impact of exchange rate movements, the evolution of the situation of the international market and other relevant factors of the world market. The Committees could indeed make a more explicit statement with respect to exchange rates confirming that Article 3:3 required exchange rate movements to be taken into account, whenever the level of minimum prices was reviewed. This would not change or modify the terms of the Arrangement; it would merely give a written form to the joint understanding of what was meant by Article 3:3.

34. The representative of Argentina recalled what he had said earlier on this subject, i.e., that his country was not in favour of an automatic or semi-automatic mechanism for revising the minimum prices. He believed that price quotations on the international market did not necessarily reflect changes in the exchange rate of the United States dollar. Automatic and frequent changes in minimum prices were indeed likely to contribute to market instability and run counter to the very spirit and purpose of the International Dairy Arrangement. The Arrangement explicitly provided for a consideration of variations in the value of the reference currency and other relevant factors of the world market. He proposed that the Committee could take note of the view of certain delegations that whenever violent fluctuations in the US dollar took place, the Committees could review the level of minimum prices at their regular or special sessions. His country was of the opinion that the Arrangement in its present form took adequate account of the exchange rate fluctuations in the revision of minimum prices and, therefore, no special study was warranted.

35. In supporting the general prevailing view, the delegate of South Africa said that while he fully understood the difficulties in the adoption of an automatic trigger mechanism, he still felt that exchange rate fluctuations should be more adequately taken into account in the setting of minimum prices. He agreed that Article 3:3 of the Protocols adequately covered the exchange rate fluctuations, but he could also support the proposal that an "understanding" should be adopted to make it more explicit. In fact, the Committees could go a step further by stating that an automatic review of the minimum prices would become necessary whenever the exchange rates moved 15 to 20 per cent up or down. He could therefore support New Zealand's plea for a clear understanding on this issue.

36. The spokesman of the Nordic countries stated that the International Dairy Arrangement participants had experienced considerable difficulties in following the Protocol minimum prices during the winter of 1984/85 when there was a rapid rise in the exchange rate of the United States dollar in relation to other currencies. It became evident to all members of the International Dairy Arrangement that monetary fluctuations had substantial impact on the functioning of the Arrangement. Recognizing that the current situation was unstable, the

Nordics however, believed that an automatic adjustment mechanism would lead to too frequent changes in minimum prices and thus instability in the market. The doubts expressed in this connection in Australia's paper (DPC/W/46) were fully appreciated. The Nordics would, therefore, prefer improvements in the methods of fixing minimum prices. The Protocol Committees, which met at least four times a year, could follow more closely the currency fluctuations on a regular basis and participants could request a review of minimum prices whenever it was deemed necessary. The review could not, however, be triggered merely by the exchange rate fluctuations; an overall view of the market situation was equally important.

37. Reverting to his original proposal, the representative of New Zealand said that a short text could be adopted stating that the Protocol Committees, in interpreting Article 3:3 reaffirmed their understanding that other relevant factors of the world market included, inter alia, exchange rate movements and that this factor was to be taken into account whenever the Protocol Committees reviewed the minimum prices. As to the procedure to be followed, he suggested that a draft text could be circulated for discussion at the next meeting in December.

38. The representative of Switzerland, first of all, made it clear that fluctuations in the exchange rates did not exclusively affect the dairy sector, they affected the entire world economy. He did not see any special merit in discussing this issue here when it was being discussed in other fora. The Committees had been informed that the matter was being studied in the EEC in a more general way. In such a situation, the Committees could optimistically await the results of this study, which might provide a satisfactory solution. He was opposed to the introduction of new mechanisms in the dairy arrangement, which would promote speculation and might even circumvent its functioning. The Arrangement did provide for a review of the minimum prices with fluctuations in exchange rates. The proposal of the representative of New Zealand was to reaffirm something which was already stated in the Arrangement. While he could go along with the contents of the proposal, he was not in favour of singling out just one aspect of the problem which appeared to be more pertinent at that point of time but might lose its urgency later. In his view, it was rather dangerous to add new interpretations to the Arrangement because they might require further interpretations, thus complicating the issues later.

39. The spokesman of the EEC expressed his satisfaction at the fact that the participants recognized the impact of exchange rates on the formulation of minimum prices. The Community could not submit written proposals at that stage because the situation was very fluid and some more time was needed to study the various factors which influenced the minimum prices. He nevertheless believed that the factor of reference currency had not been adequately considered in the past. In the present situation, it was, however, imperative that fluctuations in the value of the US dollar were more seriously considered. He was pleased to note that participants had shown greater awareness of this factor.

40. The representative of New Zealand said that his delegation would submit a written proposal in this connection which other participants could consider at the December meeting. He fully agreed with the Australian contention that exchange rate fluctuations could not be in any way dissociated from other market factors. It should also be made clear that variations in the value of other currencies as against the dollar would be accommodated by individual participants and not under the Arrangement by changing the minimum prices. He did not quite share the view of the Swiss delegate that exchange rate fluctuations were fully covered by Article 3:3 and an additional understanding to this effect would merely complicate the functioning of the Arrangement.

41. In his brief intervention, the observer from the OECD said that the suggestion of the Nordics seemed to be a useful one; that the Committees could be better informed about currency movements if the participants, in submitting information through questionnaires, could indicate what minimum prices implied in terms of their own currencies. This would clearly show on what real terms the exporting and importing countries were buying and selling.

42. Summing up, the Chairman, confirmed that indeed it was not necessary to defer the review of minimum prices to the September meeting each year; this could be done four times a year when the Protocol Committees met for their regular business. Participants expressed some interesting ideas, which they would, of course, like to discuss with their respective authorities. New Zealand had undertaken to submit a written proposal and others could do the same, so that a conclusion could be reached at the December meeting. At that stage it could

nevertheless be concluded that the Committees took note of the Australian paper DPC/W/46/Add.1, and also the fact that the problem was being examined in the Community, but that it would be useful to keep this subject on the agenda for the December meeting. The participants fully recognized the importance of the exchange rates in the formulation of minimum prices, and it was generally felt that a satisfactory solution of this problem was urgently required.

#### Report to the Council

43. The Committee agreed that an oral report on its discussions at the current session would be presented to the Council.

#### Date of next meeting and the schedule of meetings in 1986

44. The next session of the Committees will be held on 16 and 17 December 1985, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Milk Fat will be followed by the session of the Committee of the Protocol Regarding Certain Cheeses and then the Committee Regarding Certain Milk Powders. The Committee took note of a draft tentative schedule of regular meetings of the Council and Committees in 1986 (DPC/W/49).