

**FAO ARCHIVES**

**SEVENTEETH MEETING**

16 June 1950  
2:30 p. m.

Room 903 Longfellow Building  
1201 Connecticut Avenue, N.W.

PRESENT: (In the Chair) Dr. G. S. H. Barton (Canada)

AUSTRALIA	- Mr. J. U. Garside	UNITED STATES	- Mr. R. E. Schwenger Mr. Ralph Stewart Mr. L. I. Highby Mr. P. Marion Rhodes Mr. R. A. Ioanes Mr. Paul E. Callanan
CANADA	- Dr. G. C. Hopper		
EGYPT	- Mr. Anwar Miazzi		
FRANCE	- Mr. E. Demont	URUGUAY	- Mr. J. F. Yriart
INDIA	- Mr. P. Vaidyanathan	SECRETARY	- Mr. F. B. Northrup
INDONESIA	- Mr. A. L. Muir	FOOD AND AGRICULTURE ORGANIZATION	- Mr. J. L. Orr Mr. K.K.P.N. Rao Miss R. Snyder
ITALY	- Dr. P. W. Rogers Mr. C. B. Colonna		
NETHERLANDS	- Mr. W. Lambers	RECORDING SECRETARY	- Miss H. J. Evans
PANAMA	- Mr. Mahmud Ahmad		
UNITED KINGDOM	- Mr. A. E. Stedman		

Representatives of other Member Governments of FAO:

Belgium	- Mr. A. Coustry
Burma	- U Aun Maung Gale
Ceylon	- Mr. G. S. Peiris
Denmark	- Mr. A. F. Knudsen
Dominican Republic	- Señor Don Otto Vega
Ecuador	- Mr. C. Garcia
Haiti	- Mr. A. A. Holly
Ireland	- Mr. D. Holmes
Israel	- Mr. L. Samuel
Switzerland	- Mr. W. Dinkelmann

As a result of Mr. Abayankar's departure and pending the election of a new Chairman, the Chair was taken by Dr. Barton, who first welcomed Dr. Rogers representing Italy, which country was invited by the Council to become a member of the Committee in place of Poland.

#### I. Adoption of Agenda

The provisional agenda was adopted as circulated (CCP50/43)

#### II. Consideration of Dried Skim Milk Offer by U.S. Government

The Chairman pointed out that the present special meeting had been called to discuss the letter dated 13 June received from Mr. Ralph S. Trigg of the U. S. Department of Agriculture which had been circulated to members as CCP50/42, and which was then read aloud by the Secretary for the benefit of observers. The Chairman drew special attention to the U.S. request that the matter be treated

As confidential, and assured the U.S. member of the Committee' cooperation in this respect. He then commented upon the U.S. offer to the effect that the item in question, although already offered for export sale at prevailing prices in previous lists circulated by the U.S. Government, was now being offered at a substantial reduction in price. He pointed out that dried skim milk was but a minor or by-product, the production of which had mainly been developed during and since the war, the U.S. being the largest producer. In urging the Committee to keep the nutritional value of dried skim milk in mind during its consideration of the U.S. offer, he pointed out that the United Nations International Childrens Emergency Fund had attached great importance to the product which had been included in its special nutritional distribution programs in a large number of countries. Since the item was now being offered at a substantial price reduction, he felt it would be necessary for the Committee to examine the possible effects of this offer on the market as a whole and on production in general. He recalled that in its previous discussions on dried skim milk, the Committee had been of the opinion that this was a commodity whose consumption, particularly in needy areas, could with advantage be increased, especially as people became familiar with its use. At the Ninth Session of the FAO Council in Rome when the Committee's Report had been presented, he had taken the opportunity to explain that one of the difficulties confronting the Committee was the nature of the commodities submitted to it for consideration. For instance, surplus basic commodities had been submitted for consideration, but had elicited no interest because they were listed at regular commercial prices. Supplementary products, of which dried skim milk was one, had been offered, also at commercial prices, but little interest had been evidenced on account of their unfamiliar nature. The Committee faced a similar dilemma in the present instance, for although there could be no doubt as to the nutritional value of the product, there still arose the question of purchase, and also the fact that dried skim milk had hitherto been widely distributed without cost in a great many countries where it could be used with the greatest advantage. Although UNICEF had performed great work in distributing the product, that agency had only touched the fringe of its possibilities. He then asked whether the U.S. representative wished to make a statement.

Mr. Rhodes (U.S.) pointed out that the U.S. 13 June letter had been circulated to the Committee rather than to all member governments of FAO, because of the U.S. desire to see what action the Committee might be able to take in the matter. The U.S. now had in its possession large quantities of dried skim milk which it was willing to move at nominal prices in accordance with the Committee's wishes, for which reason the information had been communicated to the Committee rather than included in the U.S. monthly list of commodities for export sale. The present offer only included one item at the present time because it was felt to be a commodity most adapted for action, although ultimately further commodities might be offered. No limitations had been stipulated for the present regarding the use of the commodity, although it might be found necessary to set forth at a later stage certain stipulations in this regard. He further remarked that the quantity included in the present offer did not constitute the total amount of the commodity held by the U.S. Government, and that the amount offered might be increased later if need arose.

Mr. Muir (Indonesia) enquired whether it would be necessary to have the dried skim milk now offered re-packed and refrigerated in the event of its being shipped for use in tropical countries.

Mr. Rhodes (U.S.) did not believe re-packing would be necessary in such a case, but if held for any length of time the commodity would have to be kept in refrigerated space. The dried skim milk was now packed in barrels and drums suitable for transportation.

Mr. Vaideyanathan (India) remarked that the dried skim milk was intended for distribution to consumers as such, and pointed out that its present packing in drums and barrels did not appear suitable for such a purpose. He enquired (1) what would be the expense involved in re-packing the commodity for instance, in 1 lb. cans, or at least in quantities susceptible for handling by the general public; (2) the age of the commodity now offered; (3) the present ruling factory price in the U.S., both for spray and roller processed dried milk, and (4) whether the drums were hermetically sealed.

Mr. Rhodes (U.S.) feared there was no specific answer possible to the first two questions, since the barrels and drums in which the skim milk was packed would certainly not be susceptible for distribution to individual families, and would require handling by some type of organization; further, the age varied, but all the skim milk was from the 1949 pack and was in good condition, and fit for human consumption. The present factory price was approximately 10¢ per lb. for roller processed, and 12¢ for spray processed skim milk. Although the containers were not hermetically sealed, they did have inner liners and were suitable for export shipments.

Mr. Garside (Australia) desired to address himself to the principles with which he believed all members of the Committee were concerned. As a producing and exporting country of dairy products, in common with other countries represented on the Committee, Australia was not too keen on concessional prices which it felt would inevitably affect normal commercial transactions. However, Australia still adhered to its representative's previous statement that it was not opposed to low prices for, or donations of, supplies to areas where nutrition was low, since such transactions would not displace normal commercial trade, but on the other hand, Australia was opposed to any arrangements which may be injurious to the interests of other exporting areas. In the present instance, he felt he could not escape citing the case of the U.K., where Australia customarily sold dairy products and where negotiations in this respect were in fact at present in progress. If any quantity out of the present offer were sold to the U.K., or some other countries normally purchasing from Australia, at the low prices quoted, the consequences would undoubtedly have a prejudicial effect on Australia's position. He therefore felt that if any transactions were negotiated in regard to the present offer, there would need to be some assurance that such a sale would not have any influence on normal imports into the buying country, either in terms of quantity or price. On the other hand, Australia would have no objection to any sales which in fact expanded the market for dried skim milk beyond its present boundaries. He further remarked that at recent meetings of the International Cotton Advisory Committee, the Netherlands representative had stated that in many transactions at concessional prices the benefits had never reached the ultimate consumer, which he felt represented a real danger in the present instance. He further believed that the U.S. should satisfy itself that there were adequate safeguards before effecting any transactions.

Mr. Vaidyanathan (India) referred to the Chairman's introductory remarks to the effect that dried skim milk was a relatively new commodity, whose distribution should be encouraged, from which point of view concessional prices might be of advantage in effecting increases both in consumption and in production. In regard to Mr. Garside's remarks, he believed that Australia and New Zealand produced mostly roller processed milk, and not spray processed, the availability of the latter being very limited in Australia and New Zealand, as his country had discovered in previous negotiations. Therefore, he believed that the sale of spray processed milk under the present offer would not compete with normal Australian exports.

Mr. Triart (Uruguay) drew attention to the letter dated 16 February received from the Executive Director of UNICEF setting forth the large quantities of dried skim milk which that organization could use if it possessed the necessary funds. It seemed that UNICEF was an agency ideally suited for the distribution of this product, since not only did it have the task of assisting those in need, but also of improving nutrition and providing educational facilities in this respect, which would appear to tie in closely with the Chairman's remarks regarding market expansion possibilities. He believed that additional funds had recently been made available to UNICEF, and since this appeared to be the most appropriate agency for the receipt and distribution of skim milk he wondered whether any further information were available as to the potentialities offered by UNICEF in this regard.

The Secretary recalled that although FAO did not have a recent appraisal of UNICEF potentialities, it was his understanding that this agency was currently utilizing substantial quantities of the product, the larger part of which was furnished by the United States. He remarked upon the wide distribution covered by UNICEF and drew attention to a note prepared by FAO's Nutrition Division on dried milk shipments made to date by UNICEF, pointing out that this represented only a partial and unofficial summary. He stated that the Secretariat's report on supplemental food distribution schemes, as called for in paragraph 4 of CCP50/31, was in progress and it was hoped it would be ready shortly.

In response to a question from Mr. Rhodes, Dr. Rao stated that the Nutrition Division of FAO was at present compiling a complete list showing all UNICEF shipments from the initiation of its program in 1949.

Mr. Lambers (Netherlands) drew attention to the Committee's Report to the Council (CCP50/30) which had been endorsed at the last Ninth Session in Rome to the effect that any transactions contemplated for nutritional distribution programs would need to be considered in the light of the possible effects on the interests of other exporting and importing countries. He pointed out that the current U.S. offer involved a quantity of 100 million pounds, which might be increased at a later stage. Since in document CCP50/6, world trade in 1949 had been estimated at 160,000 metric tons, he believed that the present U.S. offer represented a considerable proportion of international trade. He would, of course, have no objection if quantities purchased under this offer were indeed supplementary and if world trade and consumption were thereby increased, but in his opinion it was the duty of the Committee to ensure that adequate safeguards were made to prevent the possibility of quantities so purchased disrupting the normal flow of international trade.

The Chairman believed that the Committee had a two-fold responsibility: (1) to effect the distribution of the dried skim milk now offered, and (2) to ensure that such distribution did not jeopardize the normal market. He pointed out the danger of taking too rigid a position which might prevent any action being taken. He asked for suggestions from members as to possible ways of effecting the movement of dried skim milk without thereby incurring the risk of injury to the other countries or jeopardizing the market or production of the commodity.

Mr. Niazzi (Egypt) suggested that the commodity might be sold to areas where it had not hitherto been used, and where nutritional standards were low.

Mr. Stedman (U.K.) in commenting upon Mr. Niazzi's suggestion suggested that it was those countries with low nutritional standards which were least likely to compete with normal importers, because unless special prices were offered they would not be able to make any purchases of the commodity. He quoted paragraph 13 of CCP50/30 to the effect that in the context of financial difficulties the Committee felt that nutritional distribution programs would need to be developed on a nominal price basis rather than on a special price basis as had been previously contemplated by the Preparatory Commission. Obviously there could be no rigid distinction between a special and a nominal price and the only way to effect any distinction would be to have the price so low as to bring it within the reach of the neediest buyers. He suggested that a possible approach might be to pursue further the Secretariat's study of the nutritional distribution programs. It might be felt that in the light of present financial difficulties even the prices now quoted might be an embarrassment, but he believed that when the Secretariat's study was completed it might with advantage be circulated to needy governments who, it was hoped, might consider its proposals in the light of the new information with a view either to expanding schemes already in existence or initiating new schemes.

Mr. Rhodes (U.S.) believed that the Committee had two responsibilities, the first of which was to endeavor to move surplus foodstuffs to people in need, and secondly to take due account of the effects of such disposal on other exporting countries. He felt that the Committee was devoting more time than was justifiable on the second as opposed to the first responsibility. He pointed out that the U.S. had no desire whatsoever to jeopardize the position of any other country and thought it unnecessary to discuss the possibility at such length. He thought Mr. Yriart had made a good point in suggesting an approach to UNICEF, to which agency the U.S. Government had already made substantial sales.

Mr. Yriart (Uruguay) agreed with Mr. Rhodes that the Committee might with advantage concentrate on the first of its responsibilities, and draw attention to the report (CCF50/7) prepared by the Subcommittee appointed to consider the 7 February letter from the U.S. Government containing its first list of commodities for export sale, which stated that any transactions which might be consummated on the basis of the terms set forth in that letter would not seriously jeopardize the position of other exporting countries. Since that time, however, prices had changed considerably and some producers felt that the presently quoted prices might constitute an injury to their interests. He thought it might be possible for the Committee to examine each transaction on its merits in an endeavor to see whether any country's position would thereby be jeopardized. He suggested three possible methods of approach, all of which however would require the prior consent of the U.S.: (1) to inform UNICEF of the present U.S. offer and see whether that agency was interested; (2) to offer the commodity to all countries for use in feeding programs for vulnerable groups which would not otherwise use the product so that, in fact, those groups would only be using the item because of its cheap price; (3) to approach UNICEF to see whether any country where that agency had initiated feeding programs would be interested in purchasing dried skim milk at the present price in order to continue or expand the UNICEF programs.

Mr. Demont (France) remarked that it was a matter for felicitation that the present offer had been submitted to the Committee before being made public by the U.S. Government, but pointed out that this increased the Committee's responsibility. To his mind the two problems now facing the Committee were to decide (1) to which countries the offer might best be transmitted, and (2) the best means for the distribution of the product. However, he felt that to confine the offer for distribution through UNICEF would be an undue limitation. He pointed out that certain FAO member governments had responded to the U.S. letter of 7 February to the effect that they would be interested in the purchase of a commodity such as dried milk and secondly that at the 5-13 June Conference on Nutritional Problems in Latin America certain members had stated their government's readiness to import additional quantities of protein food such as skim milk. With respect to the second problem, certain principles regarding distribution had already been decided upon by the Committee and he thought that every effort should be made to abide by those principles. He referred to Mr. Lammers' remarks that the quantity now offered by the U.S. Government represented a substantial portion of international trade but pointed out that it represented a very small percentage of unsatisfied need. He thought the problem was to move the commodity to countries which did not currently consume it or did so in limited quantities only, which would have the result of raising consumption without interference with normal international trade or jeopardy to the interests of other exporting countries. He thought it desirable to distinguish between demand and need for even if demand were low the need remained considerable. With regard to Mr. Vaidyanathan's remarks regarding the difficulty of distributing the dried skim milk as at present packed, he stated that in France shortly after the war dried milk had been distributed in barrels to retailers who had handled its further distribution with satisfactory results.

Dr. Rogers (Italy) first thanked the Chairman for his welcome and assured the Committee of his full cooperation in its deliberations at all times. He believed the very fact that it was a typical welfare item presently offered by the U.S. at welfare prices should allay much of the concern hitherto expressed regarding possible interference with normal trade. He agreed with Mr. Demont that distribution through UNICEF did not provide an ideal solution because that

agency was limited both financially and territorially. He suggested that the Committee's first approach should be to governments without too much hope that they would take action but with a view to those governments then contacting their national welfare agencies to see what the latter could do. He thought the Committee might also with advantage approach all the international organizations concerned with welfare such as UNICEF, IRO, and the latter's eventual successor. Finally, as FAO had relations with certain international non-governmental organizations concerned with welfare, he suggested an approach might be made to see if the latter could be of assistance.

Mr. Niazi (Egypt) expressed himself in agreement with most of the previous discussion, and suggested, in order to meet Mr. Lammers' point, that one single condition should be attached to any sales of this dried skim milk, viz: that they should be over and above normal imports. He did not believe it advisable to limit sales for distribution to welfare agencies and vulnerable groups, which he felt would tie the hands of Governments too much.

Mr. Lammers (Netherlands) wished to state that he was only opposed to the present program when sales were made below normal prices and might possibly affect international trade.

Mr. Muir (Indonesia) agreed with Mr. Rhodes that maybe too much attention was being paid to the question of damage to international trade. He pointed out that the UNICEF programs for dried skim milk had been operating in fifteen different countries without any injurious effects on trade.

The Chairman pointed out, however, that in the case of UNICEF, that agency had purchased the commodity and distributed it, and Mr. Rhodes added that in making purchases in the U.S. UNICEF had not paid prevailing prices.

Mr. Garside (Australia) reiterated his Government's concern at possible interference with normal international trade. He could not agree with Mr. Niazi's suggestion that it was only necessary to place one condition on sales of dried milk under the present offer, viz: that they should be over and above normal imports. He admitted that once a country purchased a commodity it was the business of its Government to handle its distribution, but he felt it necessary to secure some assurance that a commodity purchased at special prices would in fact reach the needy consumer. He suggested that the present offer might be communicated to Governments with the stipulation that they would only be eligible to purchase at these special prices if they could give an assurance to the seller in respect of each individual purchase that normal imports were not being prejudiced. As in this instance, the U.S. Government would be the seller, he wondered whether that Government might not accept the responsibility of satisfying itself that the safeguards were sufficient.

Mr. Vaidyanathan (India) thought it would be difficult to implement Mr. Niazi's suggested condition, that sales at concessional prices would be above normal imports. He thought the most the Committee could do would be to suggest to Governments the advisability of such a condition and leave it to governments to endeavour to comply with the Committee's wishes.

Mr. Niazi (Egypt) pointed out that in making this suggestion he had in mind only those countries where nutrition standards were low and which had never previously imported the product. To enable such importers to import dried milk would have the effect of opening a new market for the product.

Mr. Rhodes (U.S.) expressed himself in agreement with Mr. Niazi's proposal, but could not agree with Mr. Garside's suggestion that sales at special prices should be limited to special feeding programs in countries which had not previously used the product, which he thought would be going further than was necessary to implement the Committee's findings in its Report to the Council (CP50/30). He enquired whether Mr. Garside would be willing to accept a statement on the part of an importing country to the effect that purchases at special prices would not replace normal commercial imports.

Mr. Garbide (Australia) was of the opinion that it was incumbent upon the buying country to demonstrate its ability to ensure that purchases at special prices were made available to those in need at prices they could afford to pay.

Mr. Rhodes (U.S.) remarked that if an importing country could not give such an assurance, the exporting country could not be expected to do so. The U.S., for instance, would certainly not be able to assure the Committee that no country buying a U.S. export product at special prices would permit its sale to other than needy groups.

Mr. Garbide (Australia) in admitting the validity of Mr. Rhodes's remarks, suggested that the U.S. might decline to sell unless satisfactory assurances in this sense were given.

Mr. Rhodes (U.S.) pointed out that this would raise the question of what constituted a satisfactory assurance, and remarked that the U.S. would be willing to accept a statement from the Government of the importing country in this respect.

Mr. Demont (France) understood the fears expressed by certain countries producing dried skim milk, but suggested they might be exaggerated. He drew attention to the excellent opportunity now provided to give publicity to dried milk powder in those countries which had not hitherto consumed this product and thus increase its consumption to the benefit of the producing areas.

Mr. Stedman (U.K.) drew attention to the fact that governments had for some time been aware of the present large and increasing stocks of powdered milk, and even so, had not displayed interest in its purchase. In view of the lack of specific government interest, he thought there might be value in Dr. Roger's suggestion, and that in communicating with governments mention might be made of the possibility of their contacting domestic welfare agencies. He asked Mr. Rhodes whether such a step had yet been contemplated by the U. S. Government.

Mr. Rhodes (U.S.) replied that present U.S. stocks were available to public and private welfare agencies in the U.S. for distribution in overseas countries, but were not so far available to foreign welfare agencies. Experience to date, however, had shown that welfare agencies were not in possession of adequate funds to make any appreciable contribution to a program of this kind.

The Chairman recapitulated the discussion, to the effect that there was no doubt about the Committee's agreement as to the desirability of moving the dried skim milk now held by the U.S. Government. Further, that certain safeguards were desirable, but these should be kept to a minimum. As far as ways and means of distribution were concerned, he believed that the Committee would agree to Mr. Yriart's suggestion that an approach should initially be made to UNICEF to see whether that organization could utilize the product. It had further been suggested that some guidance might be obtained as to the countries in which dried milk might conveniently be utilized, but he felt that approach could be held in reserve for the time being. A further suggestion had been that purchases of dried skim milk at special prices should be confined for use in special feeding programs, but he felt this to be a difficult requirement, pointing out that such programs could not be organized rapidly, and he wondered whether this limitation was entirely necessary. Another suggested requirement was that purchases of dried skim milk at special prices should be over and above normal imports, which again raised the question of what constituted normal imports, and he enquired whether the Committee would be prepared to accept 1949 as a base figure in this respect. Yet another suggestion was that there should be no restriction on sales to countries which had not hitherto imported dried skim milk, but that the Committee should express its wish that such countries would develop feeding programs; he wondered, however, whether the latter desire could be implemented in the short time at the disposal of governments in importing countries. It had been suggested that assurances of adequate safeguards might be required from both exporting and importing countries to the effect that normal trade would not be prejudiced; the U.S. representative had stated that his government would be willing to accept an assurance from the importer alone, and he enquired whether the Committee could agree to this procedure. He asked whether the Committee was of the opinion that sales at special prices should be limited to welfare programs in certain countries and not in others; further, whether the

Committee felt itself in a position to make approaches to non-governmental organizations in various countries, pointing out that the Committee's relations were with governments. He wondered what contribution to a solution of the problem might be afforded by non-governmental organizations in those countries whose governments were unable to assist for financial reasons.

The Committee agreed

- (1) that an approach should be made to see whether UNICEF could make further use of dried skim milk under the present offer,
- (2) that all FAC member governments should be notified of the U.S. offer.

On a motion that an immediate overall safeguard should be requested, Mr. Garside (Australia) expressed the view that the Committee would need to have both an assurance and a means of knowing that distribution was being effected in accordance with the Committee's principles, i.e. that products purchased at special prices were in fact reaching needy consumers. Even if no advance knowledge to this fact could be secured, he thought the Committee should have some means of checking after the event. In response to an enquiry from the Chairman, Mr. Garside felt that his remarks would be applicable both to countries which had not hitherto utilized dried skim milk and to those which had previously imported the product, since under the present offer purchases were possible at a cut price.

Mr. Rhodes (U.S.) opposed any suggestion that such an assurance should be required from countries which had not hitherto imported dried skim milk, for he felt there was no basis for contending in such an event that there might be any detrimental effects on the interests of other exporting countries. He thought the maximum assurance which might be required was that importing countries should continue to import through normal commercial channels the quantities they had previously imported in some representative year or period of years in the past.

Mr. Muir (Indonesia) expressed the views of several members of the Committee to the effect that they felt Mr. Garside's suggestions would be impossible to implement.

Mr. Garside (Australia) countered that one of the tasks assigned to the Secretariat was to discover what media existed throughout the world for ensuring that supplies reached needy consumers, and suggested that Mr. Muir's remarks might mean that the Secretariat had thus been entrusted with an impossible assignment.

Mr. Lammers (Netherlands) could not see how any government could guarantee that imports of dried milk under the present offer would be above normal imports, nor of ensuring that such special purchases would be used by consumers who would not otherwise have access to the product in the absence of a special program. He felt that if any government were willing to declare that purchases under the present offer would not replace normal imports, it was the duty of that government to implement such a declaration.

Mr. Muir (Indonesia) suggested that to implement any such declaration a government would need to initiate a complicated rationing and policing system quite out of proportion to the importance of the problem.

Mr. Hazi (Egypt) suggested that any government making such a declaration might be willing to assure that supplies obtained under the present offer would be furnished to schools, hospitals, welfare agencies, etc.

Mr. Garside (Australia) thought such a suggestion would imply the initiation of special distribution facilities; if normal retail distribution patterns were followed in his view difficulties would be bound to arise in ensuring that purchases reached the ultimate consumer at the special price.

Mr. Hazi (Egypt) suggested that such difficulties might only occur in countries presently importing dried skim milk.

Mr. Yriart (Uruguay) pointed out that the U.S. Government had been in possession of its present stocks of dried skim milk for sometime and obviously had been endeavoring to dispose of them through all accessible channels.

It might be that the Committee would have access to some potential buyer which the U.S. Government was unable to contact, and he wondered whether the U.S. representative had any ideas on this score. He further pointed out that potential importers had been aware of the existence of the U.S. stocks for some time and of the fact that the U.S. might be willing to negotiate on prices, and still no purchasers had come forward. He therefore doubted whether the Committee could now to accomplish anything concrete by means of a circular letter merely setting forth the present offer, but would have to devise some means of assisting in the movement of present stocks, for otherwise it might appear that the Committee had failed in its objective. He enquired whether the U.S. representative had any specific suggestions as to where it might be possible to dispose of present stocks.

Mr. Rhodes (U.S.) pointed out that dried skim milk for human consumption had not hitherto been offered at 3-5 cents per lb. but only at 10-12 cents per lb. In response to a further enquiry from Mr. Yriart, Mr. Rhodes reported that sales at less than previously quoted prices had only been in respect of off-grade milk. The United States Government had no specific suggestions as to possible destinations for these supplies, since the present offer had not yet been made known outside the Committee membership.

Mr. Demont (France) suggested that as the desirable principles governing the distribution of purchases at special prices had long been established, both by the World Food Council, the present Committee, and by the Ninth Session of the FAO Council in Rome, and as the United States - the principal supplier of the product - had been a member of all those bodies and was well aware of their deliberations, all that was necessary at the present time was to refer back to the recommendations hitherto made.

The Chairman, however, thought such recommendations hardly covered the specific instance now before the Committee, and thought it incumbent upon members to agree on appropriate measures in this particular regard.

Mr. Steadman (U.K.) felt that in the present case, which involved a supplementary food having its own special problems, the undertakings required should be of a most general character, and he thought the ultimate guarantee was the destination of the product. If supplies were furnished to appropriate destinations, such as those in dire nutritional need who would not otherwise purchase the product, it might be possible to dispense with all guarantees.

The Chairman enquired whether the Committee would agree that, in cases where supplies of skim milk were furnished to countries which had not previously imported the product through commercial channels, distribution might be made without any restriction.

Mr. Lemmers (Netherlands) thought it would be necessary in such event to require a guarantee that such supplies would not be re-exported.

The Chairman, there, re, further enquired whether the Committee would agree to the stipulation that supplies so furnished would be used for human consumption would not be re-exported, and would be in excess of normal commercial purchases.

Mr. Hazi (Egypt) suggested that it might be advisable to specify for each country in advance a figure representing its normal imports.

The Chairman, however, thought this detail could be left in abeyance for the time being. He pointed out that UNICEF shipments could not be considered as imports in the general sense.

The Committee agreed that countries which had not hitherto imported dried skim milk should be asked to guarantee that supplies made available through this special offer would be used for human consumption and would not be re-exported.

The Chairman recapitulated the discussion with regard to the countries whose purchases of dried skim milk had been on a small scale only. It had been suggested that such countries should be required to institute special feeding programs to utilize purchases made under the special offer, or should give assurances that such supplies would go only to needy consumers. A further suggestion had been that they should guarantee that quantities purchased at concessional prices should be over and above imports for a specified period, for instance in 1949.

Mr. Vaidyanathan (India) pointed out that countries would not be securing supplies of dried skim milk free, and even though the price was very low, the expenditure involved would be considerable. He therefore thought it would be difficult to obtain the agreement of a buying country to too great a limitation on the use of its purchases, and felt that an assurance as suggested by the U.S. delegate would be satisfactory.

Mr. Garside (Australia) was of the opinion that the remark just made by the Indian delegate clearly revealed the very danger which he had been endeavouring to point out. If a buying country were able to purchase large quantities of a product at a very cheap price the position of countries normally supplying that product at higher prices to that buying country would undoubtedly be prejudiced.

Mr. Niaz (Egypt) suggested that the last proposal quoted by the Chairman might meet Mr. Garside's difficulty. Some members apparently felt that it would not be possible to secure such a guarantee from buying countries, but he personally believed that if a government could give such an assurance it should be sufficient.

The Chairman pointed out that if a base period such as 1949 were agreed upon, it would be a simple matter to calculate what constituted a country's normal imports.

Mr. Lammers (Netherlands) could not see how any government could give a guarantee without a special program that the purchases made under this special offer would not affect its normal rate of imports.

Mr. Rhodes (U.S.) however, could see no difficulty in such a proposal. Most countries were making purchases through their governments, and he believed that currently only very small amounts of dried skim milk were being lifted by a limited number of countries. He therefore thought it would be simple for a country to complete its normal import program, and then to buy over and above that quantity at the special price.

Mr. Lammers (Netherlands) was not sure that all countries buying dried skim milk were doing so by government procurement, and pointed out that countries importing through other channels could not be expected to change their method of operation.

Mr. Niaz (Egypt) agreed that most countries, whether buying through government procurement or otherwise, had a system of import programs or licences and could supervise imports in some way.

Mr. Lammers (Netherlands) agreed that government supervision would be possible in such cases, but pointed out that governments had no power to induce importers to increase their purchases.

The Chairman thought governments could inform importers that no import licences would be issued to cover purchases of dried skim milk under the special offer until regular purchases of the product had reached the level of 1949 imports.

Mr. Lammers (Netherlands) did not think it advisable to take 1949 as a base measure. He thought it would be sufficient to require that purchases made under the special offer would go to consumers who could not otherwise have had access to the product.

Mr. Stedman (U.K.) agreed that it would not be advisable to use an arithmetical basis in connection with the present offer, believing that a general undertaking by the government that normal trade in processed milk would not be restricted should be adequate.

Mr. Yriart (Uruguay) suggested that each case should be considered on its merits, for the Committee would undoubtedly be informed of any purchases made from the U.S. Government in this connection, and if it were felt that any difficulties were involved, each case could be explored by the Committee, as occasion arose.

The Chairman, however, believed that the Committee should come to some working basis, as it did not wish to call meetings too frequently.

Mr. Garside (Australia) thought the whole question hinged on which countries were contemplating purchases.

Mr. Hazi (Egypt) wondered whether it was necessary to inform countries in detail of the conditions attaching to any purchases contemplated under the special offer.

Mr. Stedman (U.K.) suggested that any countries expressing interest in the purchases might be requested to state what conditions would obtain regarding the utilization of supplies so purchased, and the Committee could then ascertain whether the suggested safeguards were adequate.

The Committee agreed that governments should be informed that any purchases made under the special offer would not be expected to enter into or displace normal commercial trade.

Mr. Rhodes (U.S.) pointed out that normally about two-thirds of world exports of dried skim milk came from the U.S., and stated that as his country did not feel its own position prejudiced, the recommendation might refer only to normal commercial exports from countries other than the U.S., although he agreed that such a modification would make the recommendation more complicated.

Mr. Yriart (Uruguay) remarked that if a potential buyer approached the Committee in the first instance there would be no difficulty, but he enquired what would be the procedure in the case of bi-lateral discussions.

Mr. Rhodes (U.S.) confirmed Mr. Garside's assumption that in the case of bi-lateral discussions, the U.S., being anxious to cooperate, would consult the Committee before effecting any transactions. He pointed out that it would be necessary to distinguish between those countries normally importing dried skim milk and those that had not hitherto done so.

The Chairman remarked that the Committee had already agreed to a procedure in regard to those countries which had not hitherto purchased dried skim milk. He enquired the Committee's views regarding the suggestion that countries in the second category, i.e. who had previously made purchases of dried skim milk, should submit to the Committee what they considered to be adequate safeguards.

Mr. Rhodes (U.S.) did not consider that this was a practical suggestion.

Mr. Yriart (Uruguay) presumed that a recommendation that purchases of dried skim milk under the present offer would not enter into or displace normal commercial trade, would be implemented by both contracting parties.

Mr. Muir (Indonesia) believed that such a recommendation would be all-inclusive.

The Chairman recapitulated that the present suggestion was to quote the Committee's Report to the Council (CCF50/30) to the effect that normal commercial trade should not be jeopardized, and to add Mr. Rhodes' suggestion regarding special import effects on the interests of exporting countries other than the U.S.

Mr. Garside (Australia) added that such a suggestion should also stipulate that all transactions should be reported to the Committee.

Mr. Louwers (Netherlands) agreed to Mr. Garside's suggestion.

Mr. Rhodes (U.S.) withdrew his amendment, believing that to refer to normal import would be sufficient.

Mr. Louwers (Netherlands) suggested that importing countries should be asked if they proposed to implement an assurance to the effect that normal commercial trade would not be jeopardized, but later withdrew this suggestion.

Dr. Howar (Canada) suggested that importing countries might, for example, give an assurance that before attempting to secure supplies under the special offer they would import the quantity they purchased in 1949.

Mr. Muir (Indonesia) drew attention to the possibility that a country might not have intended currently to purchase any dried skim milk, but might feel attracted to do so by the present offer.

The Chairman suggested that the Committee had discussed the matter as far as it was presently possible, and thought that the Secretariat might be asked to prepare a paper reflecting the sense of the Committee's deliberations. He again reminded the Committee that the 13 June letter from the U.S. Government was confidential.

The Secretary assumed that his instructions were to prepare a draft communication to all member governments of FAO, including all the qualifications agreed at the meeting. He enquired whether such a communication would require clearance by all members of the Committee, or whether the Chairman's approval would suffice.

On Mr. Niani's suggestion it was agreed that the Secretary should clear this draft only with the Chairman.

It was agreed that the Secretary's memorandum, as approved by the Chairman, should be circulated by letter mail to the Washington representatives of all FAO member governments, with the request that they transmit it to their home governments in a confidential manner.

It was further agreed, subsequent to an enquiry from Mr. Yriart (Uruguay) that shipments from UNICEF should not be classified as normal trade.

It was also agreed that governments should report back to the Committee on developments arising out of the U.S. offer, and that no time limit should be submitted for reply.

#### 11. Other Business

It was agreed that other business, including the election of a Chairman, an account of the discussion at the Ninth Session of the FAO Council in Rome in connection with the Committee's Report, and the Secretariat paper on special nutritional programs, should be postponed until the next meeting.

#### 17. Date of Next Meeting

It was agreed that the Eighth Meeting of the Committee should be held at 2:30 p.m. on 29 June and should, if necessary, continue on 30 June.

Meeting adjourned at 5:20 p.m.