GENERAL AGREEMENT ON
TARIFFS AND TRADE

International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL

Reply to Questionnaire 5 Regarding Information
on Domestic Policies and Trade Measures

EUROPEAN ECONOMIC COMMUNITY

Introductory Note

I. General policy framework

1. The objectives of the Common Agricultural Policy are set forth in Article 39
of the Treaty of Rome establishing the European Economic Community, aiming in
particular to increase agricultural productivity, stabilize markets, assure
availability of supplies, and ensure that supplies reach consumers at reasonable
prices. The principles of the Common Agricultural Policy are: maintenance of a
single market, Community preference and financial solidarity among member States.
The instruments of the Common Agricultural Policy are an agricultural market and
price policy covering almost 90 per cent of agricultural end products and an
agricultural socio-structural policy.

2. The market and price policy is implemented within the framework of the
common organization of the market in agricultural products. There are various
support mechanisms, ranging from minimum protection at the external frontier of
the Community for poultry products (levy based on the quantity of feedgrains
needed as a production input) to the establishment of minimum prices (sugar beet)
or guarantee of purchase by public agencies at a fixed intervention price. The
target price and guide price are not guaranteed prices but constitute a floor
for market price trends within the Community above which imports are necessary
to ensure supplies for Community consumers. In general, the common organization
is a single system without any differentiation on the basis of regional or
other criteria. Given that the growth rate of agricultural output is higher
than that of consumption, the Community observes a prudent policy in regard to
prices.

1Situation as at 1.1.80.
3. The Community has bound certain tariff commitments within GATT. Under individual agreements or treaties, it maintains preferential trade relations with many countries or regions of the world. At world level, the Community is the largest importer of agricultural and foodstuff products.

4. The socio-structural policy is implemented within the framework of common actions designed to secure optimum use of production factors at the stage of agricultural production and of initial processing of agricultural products. Its implementation depends on action by operators who must meet certain conditions in order to qualify for support measures which are largely allocated in the form of interest rebates. Apart from general regimes, the socio-structural policy of the Community also includes measures in respect of a single production factor (for example the cattle herd) or specified regions (for example the hill regions). With a view to attaining Community objectives for production, the socio-structural provisions may be amended, supplemented or suspended in respect of certain sectors.

II. Procedures

The Council determines basic provisions, acting on a proposal by the Commission after having obtained the opinion of the European Parliament and the Economic and Social Committee. Each year the Council also fixes the institutional prices required for the common organization of the market in agricultural products. The Committee has responsibility for market management and the implementation of socio-structural measures, acting through Management Committees and the Standing Committee on Agricultural Structures.

III. Economic significance of the bovine/milk and meat sector

The bovine/milk sector is by far the most important sector in EEC agriculture, accounting for 36 per cent of end production by Community agriculture. It is a source of income for some 3 million farms (i.e. 52 per cent of the total number of farms). Some 2 million farms have dairy cows, representing approximately 80 per cent of the total cow herd. Consequently, mixed fatstock/dairy farming is very important. Reconversion to specialized beef and veal production is very slow.

In recent years there has been a pronounced fall in the number of fatstock and dairy farmers (by 20 per cent between 1973 and 1977), and a slight decline in the number of animals. The dairy-cow herd has remained relatively stable since 1975, at approximately 25 million head. The average size of herds in the Community is 28 bovine animals and 13 dairy cows. Because of increasing yields, the annual variation rate for milk production in the period 1973 to 1978 was 1.8 per cent. Beef and veal production showed an annual variation rate of 0.9 per cent. This rate was higher for calves (2.4 per cent) than for beef cattle (0.7 per cent).
A. PRODUCTION

I. Support and/or stabilization measures

The common organization of markets in the milk and milk products sector is based on Regulation (EEC) No. 804/68. In order to ensure a certain producer price level, a target price is fixed for milk delivered to processing plant.

In order to attain the target price, an intervention system exists within the Community (intervention price) and a system covering trade with third countries (import levies, export refunds, safeguard measures).

(a) Instruments

1. Price system

The following prices are fixed for each milk year:

- target price for milk
- intervention price for butter
  - skimmed milk powder
  - Grana Padano and Parmigiano Reggiano cheeses
- threshold price.

In principle, these prices become applicable on 1 April, i.e. at the beginning of the milk year, and remain valid until 31 March of the following year. They can be adjusted in the course of the milk year if the situation so requires; they can also be fixed in two stages.

- Target price for milk:

  This is the milk price that the Community policy aims "to obtain for the aggregate of producers' milk sales, on the Community market and on external markets, during the milk year". It is a target price, therefore, but not a guaranteed price. It applies to milk containing 3.7 per cent of fat, delivered to the dairy.

- Intervention prices:

  The intervention prices contribute to attaining the target price for milk, but they do not allow dairies, in respect of the quantities they have offered for intervention (free at warehouse), to pay to producers a milk price absolutely equivalent to the target price.
The intervention agencies established in each member State of the Community are required to buy in at the intervention price the products offered to them.

Accordingly, the intervention prices constitute the lower limit of market prices, thus guaranteeing a certain income level to producers.

Since the system is established for butter and skimmed milk powder, it affords an outlet for the two component elements of milk. For Italy, where the dairy sector is based on production of Grana Padano and Parmigiano Reggiano cheeses, intervention prices are also fixed in respect of those cheeses in order to afford the same lasting assurances as are afforded by the intervention measures for butter and skimmed milk powder in the other member States.

- **Threshold prices:**

Threshold prices are applied at the external frontier of the Community upon importation, constituting a protection for the target price for milk as well as an instrument through which market supplies can be secured by means of imports in the event of any shortage or threat thereof (fuller details are given under C "import and export measures").

2. **Intervention system**

In order to try to ensure the target price for milk to the producer, the intervention system extends to products that play a particularly significant role in the formation of producer prices for milk. This result can be achieved:

- either by supporting the component elements of milk, through intervention in favour of butterfat or milk proteins;
- or by supporting milk as a raw material, through intervention in favour of cheeses.

(1) **Interventions**

(a) **Purchase at the intervention price (public storage)**

Butter and skimmed milk powder that cannot be sold on the normal market are bought in by the intervention agencies provided the product meets certain criteria in respect of quality, age and packaging.

Disposal of bought-in products takes place in accordance with Commission regulations when the situation allows and in such a way that normal trade channels are not disturbed when butter is returned to the market.
(b) **Aid to private storage of butter and cream**

In order to ensure that normal market supplies of butter are available during the winter months and on price conditions similar to those prevailing during the rest of the year, aid to private storage of butter and cream is granted to certain market operators. The storage period runs from 1 April to 15 September; the period of release from storage runs from 16 September to 31 March of the following year. The minimum storage period is four months.

Under certain conditions the Council may also decide to grant aid to private storage of skimmed milk powder.

(2) **Aid to skimmed milk processed into casein and caseinates**

Aid is granted in respect of skimmed milk processed into casein and caseinates. The amount of the aid is adjusted according to the quality of the products obtained.

(3) **Intervention for cheeses**

As indicated above under "Price system", there is an intervention purchase system for Grana Padano and Parmigiano Reggiano cheeses.

For these cheeses, and also for Provolone, there is a system of private storage aid. For other Italian cheeses and long-keeping cheese a system of private storage aid can be introduced if market conditions so require. This is the case in particular for Pecorino Romano and Emmenthal cheeses (including Gruyère, Comté and Beaufort).

3. **Prices**

(a) **Guaranteed intervention prices**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Butter</td>
<td>279.20</td>
<td>284.97</td>
<td>284.97</td>
</tr>
<tr>
<td>Ireland¹/</td>
<td>274.38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom¹/</td>
<td>246.38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skimmed milk powder</td>
<td>113.75</td>
<td>115.79</td>
<td>115.79</td>
</tr>
<tr>
<td>Grana Padano</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- from 30 to 60 days old</td>
<td>270.47</td>
<td>279.43</td>
<td>279.43</td>
</tr>
<tr>
<td>- at least six months old</td>
<td>325.62</td>
<td>339.09</td>
<td>339.09</td>
</tr>
<tr>
<td>Parmigiano Reggiano at least six months old</td>
<td>353.70</td>
<td>369.98</td>
<td>369.98</td>
</tr>
</tbody>
</table>

¹/ As from 1.1.78 the single intervention price became applicable.
(b) Amount of producer subsidies

The grant of producer subsidies in the dairy sector is limited to aid for casein and caseinates. Since 1977 this aid has been as follows (in ECU/100 kgs. of skimmed milk):

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 1977</td>
<td>6.41</td>
</tr>
<tr>
<td>1 May 1977</td>
<td>6.71</td>
</tr>
<tr>
<td>1 November 1979</td>
<td>6.25</td>
</tr>
</tbody>
</table>

(c) Average returns to producers

Remuneration of milk producers is directly linked to the level of the target price which has developed as follows (on the basis of 3.7 per cent fat content):

<table>
<thead>
<tr>
<th>Target price</th>
<th>Prices received by producers¹/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk year 1977/78:</td>
<td></td>
</tr>
<tr>
<td>20.98 ECU/100 kg</td>
<td>1977: 18.22 ECU/100 kg</td>
</tr>
<tr>
<td>Milk year 1978/79:</td>
<td></td>
</tr>
<tr>
<td>21.40 ECU/100 kg</td>
<td>1978: 18.79 ECU/100 kg</td>
</tr>
<tr>
<td>Milk year 1979/80:</td>
<td></td>
</tr>
<tr>
<td>21.40 ECU/100 kg</td>
<td></td>
</tr>
</tbody>
</table>

¹/Price ex-farm not including VAT, subsidy, or co-responsibility levy (source: Eurostat).

Prices actually received by producers vary around the target price. Differences between individual real payments are attributable in particular to the distance between producer and dairy, market prices for processed products, etc.

II. Policies and measures of governments or other bodies likely to influence production, other than those listed under I

Since milk production is surplus in the Community, certain measures are taken in order to slow down and discourage milk production:

(a) Co-responsibility levy

The milk producer pays a compulsory contribution in the form of a percentage of the price of milk, currently set at 0.5 per cent of the target price for milk. He then pays part of his milk income into a special fund designed to promote and expand sales of dairy products.
(b) **System of premiums for non-delivery and reconversion**

Farmers who undertake:

- either to use milk produced on the farm for animal feed;
- or to have their dairy cows slaughtered;
- or to switch from dairy farming to meat production,

can receive aid in an amount that varies according to the effect on valorization or production of milk.

Under the system currently in force in the Community, aid was granted to a total of approximately 85,000 dairy farms, representing one million dairy cows, during the period 1 July 1977 to 1 January 1980.

(c) **Measures taken in the context of the production structure**

The Community provisions adopted in the context of the production structures policy are more restrictive in the dairy sector than in the other agricultural production sectors. Accordingly:

- aids for the purchase of cattle are subject to the condition that the share of sales from cattle-farming and sheep-farming makes up more than 60 per cent of overall sales by the farm (Article 9 of Directive EEC/72/159);
- aids for the purchase of dairy cows and heifers are forbidden (Regulation (EEC) 1081/77);
- the compensatory allowance for dairy cows in less-favoured regions (Directive EEC/75/268) is only 80 per cent of the allowance granted in hill regions and is paid for not more than ten cows.

(d) **Measures taken in the context of marketing structure and processing of dairy products**

Under Regulation (EEC) 355/77, the Community has participated in certain investment projects concerning modernization and rationalization of undertakings engaged in milk processing and dairy product marketing.
B. INTERNAL PRICES AND CONSUMPTION

I. Representative retail and wholesale prices on major domestic markets

(a) Ex-dairy prices per 100 kg of product

<table>
<thead>
<tr>
<th>Period 1/</th>
<th>Butter ECU</th>
<th>%</th>
<th>Skimmed milk powder ECU</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ø 1977</td>
<td>261,770</td>
<td>100</td>
<td>113,046</td>
<td>100</td>
</tr>
<tr>
<td>Ø 1978</td>
<td>274,117</td>
<td>104.7</td>
<td>115,751</td>
<td>102.4</td>
</tr>
<tr>
<td>Ø 1979</td>
<td>281,296</td>
<td>107.5</td>
<td>117,876</td>
<td>104.3</td>
</tr>
<tr>
<td>1979</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>281,427</td>
<td></td>
<td>117,008</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>281,466</td>
<td></td>
<td>117,188</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>282,057</td>
<td></td>
<td>117,249</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>280,052</td>
<td></td>
<td>116,953</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>279,073</td>
<td></td>
<td>116,142</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>279,104</td>
<td></td>
<td>116,155</td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>277,713</td>
<td></td>
<td>116,332</td>
<td></td>
</tr>
<tr>
<td>August</td>
<td>277,762</td>
<td></td>
<td>116,577</td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>283,428</td>
<td></td>
<td>117,456</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>283,733</td>
<td></td>
<td>120,273</td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>285,612</td>
<td></td>
<td>121,273</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>284,120</td>
<td></td>
<td>121,905</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 December to 6 January</td>
<td>285,173</td>
<td></td>
<td>121,758</td>
<td></td>
</tr>
</tbody>
</table>

1/ Arithmetic mean for all markets.

Source: Directorate General for Agriculture.
(b) Consumer prices per kg

<table>
<thead>
<tr>
<th>Period</th>
<th>Belgium</th>
<th>Denmark</th>
<th>Germany, F.R</th>
<th>France</th>
<th>Ireland</th>
<th>Italy</th>
<th>Luxembourg</th>
<th>Netherlands</th>
<th>United Kingdom</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>3,618</td>
<td>3,297</td>
<td>3,416</td>
<td>3,082</td>
<td>1,190</td>
<td>4,133</td>
<td>-</td>
<td>3,300</td>
<td>1,801</td>
</tr>
<tr>
<td>1978</td>
<td>3,764</td>
<td>2,922</td>
<td>3,572</td>
<td>3,225</td>
<td>1,896</td>
<td>3,765</td>
<td>-</td>
<td>3,328</td>
<td>1,995</td>
</tr>
<tr>
<td>1979</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>3,840</td>
<td>3,068</td>
<td>3,664</td>
<td>3,277</td>
<td>3,623</td>
<td>-</td>
<td>3,500</td>
<td>2,253</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>3,842</td>
<td>3,056</td>
<td>3,664</td>
<td>3,260</td>
<td>2,447</td>
<td>3,683</td>
<td>-</td>
<td>3,512</td>
<td>2,337</td>
</tr>
<tr>
<td>March</td>
<td>3,845</td>
<td>3,032</td>
<td>3,656</td>
<td>3,256</td>
<td>3,723</td>
<td>-</td>
<td>3,520</td>
<td>2,392</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>3,786</td>
<td>3,013</td>
<td>3,632</td>
<td>3,273</td>
<td>3,753</td>
<td>-</td>
<td>3,476</td>
<td>2,471</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>3,763</td>
<td>2,983</td>
<td>3,664</td>
<td>3,348</td>
<td>2,253</td>
<td>3,771</td>
<td>-</td>
<td>3,464</td>
<td>2,515</td>
</tr>
<tr>
<td>June</td>
<td>3,780</td>
<td>2,932</td>
<td>3,664</td>
<td>3,370</td>
<td>3,756</td>
<td>-</td>
<td>3,428</td>
<td>2,557</td>
<td></td>
</tr>
<tr>
<td>July</td>
<td>3,777</td>
<td>2,951</td>
<td>3,652</td>
<td>3,334</td>
<td>3,747</td>
<td>-</td>
<td>3,404</td>
<td>2,465</td>
<td></td>
</tr>
<tr>
<td>August</td>
<td>3,753</td>
<td>2,752</td>
<td>3,652</td>
<td>3,362</td>
<td>2,083</td>
<td>3,768</td>
<td>-</td>
<td>3,416</td>
<td>2,601</td>
</tr>
<tr>
<td>September</td>
<td>3,769</td>
<td>2,748</td>
<td>3,680</td>
<td>3,459</td>
<td>3,805</td>
<td>-</td>
<td>3,432</td>
<td>2,665</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>3,785</td>
<td>2,796</td>
<td>3,712</td>
<td>3,500</td>
<td>3,761</td>
<td>-</td>
<td>3,460</td>
<td></td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>3,883</td>
<td></td>
<td></td>
<td></td>
<td>2,092</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Butter
Belgium: beurre de laiterie
Denmark: smor salted
Germany, Federal Republic of: Dt. Markenbutter in 1/4 kg Packungen
France: beurre laitier en plaques
Ireland: butter
Italy: burro naturale
Netherlands: roomboter
United Kingdom: butter, home prod.

Comparability of consumer prices as between member States is limited because the supply conditions (number of packages, type of packaging, price subsidy, etc.) are not the same.

1/ Change of statistical system in 1978.

Source: EUROSTAT, including VAT
II. Factors which condition the evolution and level of internal consumption

For some time past the following trends have been apparent in the Community for consumption of dairy products:

- a decline in consumption of fresh milk, slower increase in consumption of yoghurt and fresh cream, and marketing of uperized and sterilized milk in preference to pasteurized milk;

- continuing decline in per capita consumption of butter;

- increasing cheese consumption.

These trends are in the first place attributable to a change in consumer habits among the Community population: an increasing preference for products with a low fat content in the sector of milk-based consumer products, and for easily storable products. In overall fat consumption, butter continues to decline in importance, with a shift to fats and oils of land animals. Rising cheese consumption is attributable to the ever-improving quality, diversity and presentation of supply as well as to the marketing efforts that cheese producers are making throughout the Community.

III. Policies and measures affecting consumption

With a view to promoting consumption, the Community engages in various activities.

1. The fund resulting from the co-responsibility levy (see A 2a) is used in particular to finance the following measures either partly or in full:

   (a) Within the Community:

   - market research
   - sales promotion drives
   - improvement of milk quality
   - fresh milk at reduced price for schools
   - butterfat at reduced price for ice cream
   - concentrated butter at reduced price for cooking

   (b) Outside the Community:

   - market research
   - technical assistance.
2. *Subsidy to milk consumption in schools*

In order to encourage milk consumption, a "school milk" subsidy has been established. This measure is limited, therefore, to young consumers for whom milk meets a physiological need and gives them certain food habits.

It is financed out of the proceeds of the co-responsibility levy.

3. *Specific activities in the field of publicity, promotion and market research*

Out of the proceeds of the co-responsibility levy, the Community finances publicity and promotion activities in favour of human consumption in the member States, in particular in the form of publications, collection of existing publications and dissemination.

It also encourages research activities designed to enlarge markets, in particular research for new or improved products and scientific examination of the nutritional aspects of consumption of milk and its component elements.

4. *Subsidies to butter consumption*

Under the Community regulations, in the event of any surplus of butterfat or threat thereof, measures can be taken to facilitate disposal.

The following activities may be mentioned:

- **General and permanent subsidy:**
  This aid, designed to reduce the consumer price of butter is in operation in certain member States.

- **Temporary subsidy:**
  During a limited period, in particular the end-of-year period, the price of a certain quantity of butter is reduced to encourage demand.

- **Subsidy to welfare recipients:**
  Under certain conditions, needy persons in the Community can purchase butter at a reduced price.

- **Sale of butter at a reduced price for the manufacture of pastry-cook's products, biscuits, bakers' products and ice-cream, and of concentrated butter for cooking.**

- **Sale of butter at reduced price to armed forces and assimilated units as well as to non-profit-making groups.**
5. Subsidies to consumption of skimmed milk (liquid or in powder form) for animal feed

These aids are granted primarily in order to encourage utilization for animal feed. To this end, the amounts are fixed taking into account the following criteria:

- the intervention price for skimmed milk powder applicable during the milk year concerned;
- the trend in the supply situation for skimmed milk and powdered milk, and use thereof for animal feed;
- the trend in the price of calves;
- the trend in market prices for competing proteins as compared with the price of skimmed milk powder.

The system is applicable to:

(a) - liquid skimmed milk sold back by the dairy to the farm;
    - liquid skimmed milk used directly at the farm where produced.

    The amount of the aid varies according to the kind of animals, a higher amount being applicable in respect of animals other than young calves.

(b) Skimmed milk powder:

    - on condition the product is denatured or incorporated in milk feed. If the stock situation so requires, special measures can be applied to encourage use of skimmed milk powder in the sector of "pig and poultry" compound feed.

* *

All these activities to promote consumption are at present proceeding satisfactorily. It is not yet possible, however, to make any definite assessment as to their effect.
C. MEASURES AT THE FRONTIER

I. Common customs tariff - Chapter 4

(a) Annex to Regulation (EEC) No. 950/68 as last amended by Regulation (EEC) No. 3000/79 (O.J. L 342 of 31 December 1979) (see Annex I(a)).

(b) Annex to common customs tariff (sub-heading 04.04.A I) (see Annex I(b)).

(c) Regulation (EEC) No. 2915/79 determining the groups of products and the special provisions for calculating levies on milk and milk products (this regulation integrates the CCT for certain tariff sub-headings and supplements it in respect of others) (see Annex I(c)).

(d) Price levels.

Threshold Prices of Milk Products

<table>
<thead>
<tr>
<th>Pilot product</th>
<th>Threshold price applicable during the market year ECU/100 kgs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Whey powder</td>
<td>32.6</td>
</tr>
<tr>
<td>2. Skimmed milk powder</td>
<td>133.4</td>
</tr>
<tr>
<td>3. Whole milk powder</td>
<td>205.2</td>
</tr>
<tr>
<td>4. Concentrated milk not containing added sugar</td>
<td>81.7</td>
</tr>
<tr>
<td>5. Concentrated milk containing added sugar</td>
<td>106.1</td>
</tr>
<tr>
<td>6. Butter</td>
<td>304.6</td>
</tr>
<tr>
<td>7. Emmental</td>
<td>300.-</td>
</tr>
<tr>
<td>8. Blue-veined cheese</td>
<td>244.2</td>
</tr>
<tr>
<td>9. Parmigiano-Reggiano</td>
<td>391.-</td>
</tr>
<tr>
<td>10. Cheddar</td>
<td>262.6</td>
</tr>
<tr>
<td>11. Other cheeses</td>
<td>241.5</td>
</tr>
<tr>
<td>12. Lactose</td>
<td>64.9</td>
</tr>
</tbody>
</table>

II. Import measures of tariff line level

1. General rules

(a) A variable levy is applied on import, except in respect of products for which the Community has concluded special agreements or arrangements, the list and conditions of which are indicated in section 2 below.
On the basis of the target price for milk, the Council fixes a threshold price for milk products which are divided into groups. For each of these groups a pilot product is designated for which a threshold price is set (see Regulation (EEC) No. 2915/79, Annex I - document 1(c)) taking into account:

- the ratio between the fat content and protein content of milk;
- the protection that must be afforded to the Community processing industry.

(b) The threshold price represents the lowest price at which the product coming from third countries can enter the EEC market. It is fixed at the free-at-wholesaler stage, i.e. at the marketing stage where imported products are competing.

(c) The threshold price is used for calculating the levy which is determined as being the difference between that same threshold price and the free-at-frontier price for each product, on the basis of the most favourable purchase possibilities in international trade. The levy is fixed by the Commission on the first and sixteenth of each month. If necessary, the Commission can adjust the levy in the interval between those two dates.

(d) For certain products within the same group, but which are different from the pilot product, a derived levy can be calculated according to the rules set forth in Regulation (EEC) No. 2915/79 (see Annex I(c)).

(e) In the case of shortage, or a threat thereof, of one or more milk products in the Community, the threshold price makes it possible to ensure market supplies at a price level corresponding to the target price for milk.

(f) For prepared feedingstuffs falling within CCT heading 23.07 (compound feedingstuffs containing more than 50 per cent of milk products) the levy is calculated in relation to the quantity of maize and milk products incorporated in the compound feedingstuff (Article 2 of Regulation (EEC) No. 2915/79).

2. Special import régimes

(a) Special milk for infants falling within CCT sub-heading 04.02.B I(a).

The specific levy for these products is at the rate of 36.27 ECU/100 kgs. (Article 3:6 of Regulation (EEC) No. 2915/79).

This is an autonomous concession granted by the Community to Switzerland and applicable since 1 August 1967. Under that concession, these products are admitted to the Community on certain conditions, in particular in respect of the fat content and characteristics of the product. The products are admitted to this sub-heading only if accompanied by a certificate I.M.A. 1
issued by an agency approved by the Community (see Regulations (EEC) No. 2695/79 and (EEC) No. 1054/68 as last amended by Regulation (EEC) No. 2966/79 hereinafter referred to "admission regulations").

(b) Emmenthal, Gruyère, Sbrinz, Bergkäse and Appenzell cheeses, falling within sub-heading 04.04 A I of the CCT.

The specific levies applicable to these products are at the rate of 9.07 and 18.13 ECU/100 kgs. according to the free-at-frontier value specified in the CCT. This is a GATT binding concluded on:

- 29 June 1967 in respect of Switzerland;
- 26 March 1968 in respect of Austria;
- 31 May 1968 in respect of Finland.

Accordingly, these products are admitted to the Community on certain conditions concerning, in particular, the composition and age of cheese as well as observance of a minimum free-at-frontier value. The products concerned are admitted to this sub-heading only if accompanied by a certificate I.M.A. 1 issued under the provisions of the admission regulations.

The minimum free-at-frontier prices are index-related to the target price for milk in the Community.

(c) Glarus cheese, falling within sub-heading 04.04.B of the CCT.

The customs duty of 12 per cent is bound in GATT. Since 1 January 1973 this duty has been reduced to 6 per cent under an autonomous concession.

These products are admitted to the Community provided they are accompanied by a certificate I.M.A. 1 issued under the provisions of the admission regulations.

(d) Processed cheese falling within sub-heading 04.04.D 1.

The specific levy applicable to these products is at the rate of 36.27 ECU/100 kgs.

This is an autonomous concession granted by the Community to Switzerland as from 1 August 1967 and which was extended to Austria on 26 March 1968 and to Finland on 31 May 1968.

Accordingly, these products are admitted provided they correspond to a definition stipulated in that sub-heading, that they observe a certain free-at-frontier value and that they are accompanied by a certificate I.M.A. 1 issued under the provisions of the admission regulations.
(e) Cheddar cheese falling within sub-heading 04.04.E I (b) 1 of the CCT.

The specific levies applicable to these products are at the rate of 12.09 ECU/100 kg.

This is a GATT binding in respect of Australia and New Zealand (9,000 tons) and an autonomous concession in respect of Canada (2,750 tons).

The above-mentioned levies are applicable within the tariff quotas specified in Article 9 of Regulation (EEC) No. 2915/79 (Annex I (c)).

The tariff quota of 2,750 tons granted to Canada is not mentioned in the common customs tariff since this is an autonomous concession.

Under the import régime applicable to these cheeses, the products concerned must meet certain technical characteristics such as fat content, age and minimum free-at-frontier values and must be accompanied by a certificate I.M.A.1 issued under the provisions of the admission regulations.

(f) Cheddar cheese intended for processing falling within sub-heading 04.04.E I (b) 1 as well as other cheeses intended for processing falling within sub-heading 04.04.E I (b) 5.

The specific levies applicable to these products are at the rate of 12.09 ECU/100 kg.

This is a GATT binding granted to Australia and New Zealand (3,500 tons).

The above-mentioned levies are applicable within the tariff quotas referred to in Article 9 of Regulation (EEC) No. 2915/79 (Annex I (c)).

The import régime applicable to these cheeses is the same as that mentioned in point (e) with a difference in respect of use of the product. Under Regulation (EEC) No. 2967/79 these cheeses are considered as processed when they have been processed into products falling within sub-heading 04.04.D of the CCT. (processed cheese).

(g) - Tilsit and Butterkäse cheese falling within sub-heading 04.04.E I (b) 2;
- Kashkaval cheese falling within sub-heading 04.04.E I (b) 3;
- Cheese of sheep's milk or buffalo's milk, falling within sub-heading 04.04.E I (b) 4.

These products are subject to a levy equal to the difference between the threshold price for Group 11 and the prices stipulated for each cheese in Article 11 of Regulation (EEC) No. 2915/79. Consequently, the amount of the levy varies only in the event of any change in the threshold price or the recorded import price.
These are autonomous concessions granted to:

- Switzerland, Austria, Finland, Romania for Tilsit;
- Austria for Butterkase;
- Romania, Bulgaria, Hungary, Turkey for Kashkaval and cheese of sheep’s milk or buffalo’s milk.

Import of these products is subject to production of a certificate I.M.A.1 issued under the provisions of the admission regulations.

(h) Butter falling within sub-heading 04.03.A of the CCT.

Transitional régime in derogation from the provisions of Protocol 13 of the Act of Accession to the Communities of Denmark, Ireland and the United Kingdom in respect of United Kingdom imports of butter from New Zealand.

Certain quantities of butter are imported at a c.i.f. price that must be guaranteed by New Zealand. A special levy is charged upon importation. This levy is equal to the difference between the c.i.f. price, and the possible sale price of New Zealand butter in the United Kingdom. The imported butter may not be re-exported, either to other member States or to third countries.

The quantities authorized for import are:

- in 1978, 125,000 tons
- in 1979, 120,000 tons
- in 1980, 115,000 tons.

Imports of this product take place under the provisions of Regulation (EEC) No. 1655/79.

III. Export measures at tariff line level

1. General rules

(a) Under the provision of Article 17 of Regulation (EEC) No. 304/68, the Community may grant export refunds to cover the difference between internal prices and prices in international trade of milk products. The refund thus fixed is the same for the whole Community, but may be varied according to the country of destination to take account of any specific features of those markets. The refunds must be fixed at least every four weeks.

(b) When the refund is being fixed, account is taken, in particular, of the need to establish a balance between the use of Community basic products in the manufacture of goods for export, and the use of third country products brought in under inward processing traffic (I.P.T.).
Since 1 August 1975, under the provisions of Regulation (EEC) No. 1961/75, I.P.T. for skimmed milk is prohibited.


(c) The amount of the refund may be fixed in advance. The period differs according to the product. Nevertheless, for certain products and certain destinations, advance fixing of refunds is excluded (in particular for cheeses in respect of which minimum export prices must be observed under export commitments). The provisions regarding advance fixing of refunds are set forth in Regulation (EEC) No. 2044/74.

2. Special export régimes

(a) Agreement between EEC and Switzerland: this Agreement provides for observance of a price free-at-Swiss-frontier which may be adjusted after consultation of both parties. This régime applies only to certain cheeses listed in Annex I to Regulation (EEC) No. 1324/68. The cheeses concerned must be accompanied by a certificate (Annex II to that Regulation).

(b) Agreement between EEC and Spain: this Agreement provides for observance of a minimum price free-at-Spanish-frontier for all cheeses entering into trade with Spain. The minimum prices are adjusted with any price adjustment in Spain and, in particular, with any adjustment of the milk price fixed by the Spanish Government. The provisions governing this Agreement are set forth in Regulation (EEC) No. 1579/70 which provides for certificates issued on certain conditions regarding price observance in particular.

(c) Agreement between EEC and Austria: this Agreement provides, in respect of certain cheese categories, for observance of free-at-frontier prices which may be adjusted after consultation of both parties. The provisions regarding this Agreement are set forth in Regulation (EEC) No. 102/78 which provides inter alia for certificates issued on certain conditions regarding price observance in particular.

(d) Agreement between EEC and the United States: this Agreement provides in particular, on the United States side, for the opening of quotas for the EEC in a total amount of 43,550 tons per annum as well as for the admission, without quantitative limitation, of soft ripened cheese corresponding to an agreed description.

On the EEC side, there is a commitment to observe the prices of United States-produced cheeses, at the wholesale stage, for cheeses under quota.
(e) Agreement between EEC and Canada: this Agreement on cheeses provides on the Canadian side for the opening of a global quota for the EEC equivalent to not less than 60 per cent of the global quota opened for the import into Canada of not less than 45 million pounds (approximately 20,400 tons of which 12,240 for the EEC).

On the EEC side, there is a commitment to observe the price of cheeses produced in Canada at the ex-works stage.

(f) Agreement between EEC and Australia: this Agreement provides in particular that no quantitative restriction or customs duty will be applied to "fancy cheeses" (soft ripened cheese), while for Edam and Gouda cheeses the duty of $A0.096/kg. will be charged on an amount not exceeding 1,000 tons per annum; on other cheeses this same duty will be charged on an amount not exceeding 2,500 tons per annum.

3. Products for which no refund is granted

No export refund is granted for:

- products falling within headings 04.01, 04.02, 04.03 and 23.07 of the CCT for export to zone E (USA);

- whey and whey powder falling within sub-headings 04.01 and 04.02.A I of the CCT;

- certain cheeses having a water content in the non-fatty matter exceeding 62 per cent;

- certain cheeses having a dry matter content of less than 32 per cent.

4. Milk products exported in the form of goods not covered by Annex II of the Treaty

A refund may be granted on milk products exported in the form of goods listed in the Annex to Regulation (EEC) No. 904/68.

This refund is calculated in relation to the quantities of milk products incorporated in the exported end product. It is valid for one month.

The amount granted on incorporated milk products has never exceeded the amount of the same products exported in unaltered state.

The general rules for fixing these refunds are set forth in Regulation (EEC) No. 2682/72.
5. Food aid

The food aid programme of the Community for 1980 covers:

- 150,000 tons of skimmed milk powder
- 45,000 tons of butteroil.

IV. Description of internal regulations and of agreements governing admission of products

All the measures provided for the admission of milk products into the Community have been indicated under Sections I and II. For full information, in particular in regard to product classification upon import into the Community, it may be useful to annex the explanatory notes to the Brussels nomenclature in respect of Chapter 4 (see Annex I (c)).

V. Reasons and circumstances why frontier measures were instituted

The frontier measures are solely in pursuance of the bilateral or multilateral agreements that the Community has concluded with its trade partners over a number of years, in order primarily:

- to develop trade in milk products;
- to import and export these milk products at prices that do not jeopardize the Community's markets, on the one hand, and markets of the countries of destination, on the other hand;
- to collaborate with other countries for greater stabilization of the world market in regard to the volume of trade and prevailing prices.
Annex I(a)

CHAPTER 4

DAIRY PRODUCE; BIRDS’ EGGS; NATURAL HONEY; EDIBLE PRODUCTS OF ANIMAL ORIGIN, NOT ELSEWHERE SPECIFIED OR INCLUDED

Notes

1. The expression “milk” means full cream or skimmed milk, buttermilk, whey, curdled milk, kephir, yoghourt and other fermented or acidified milk.

2. Milk and cream put up in hermetically sealed cans are regarded as preserved within the meaning of heading No 04.02. However, milk and cream are not regarded as so preserved merely by reason of being pasteurised, sterilised or peptonised, if they are not put up in hermetically sealed cans.

Additional Notes

1. The term “cans”, as used in Note 2 to this Chapter, shall be taken to apply only to such containers of a net capacity not exceeding 5 kg.

2. The expression “special milk for infants”, as used in subheading 04.02 B I a), shall be taken to mean products free from pathogenic and toxigenic germs and containing per gram less than 10,000 revivable aerobic bacteria and less than two coliform bacteria.

3. For the purpose of calculating the fat content of products falling within subheadings 04.02 B I b) and B II b), the weight of any added sugar shall be disregarded.

4. The expression “whole cheeses”, as used in subheading 04.04 A I a), shall be taken to apply to whole cheeses of the conventional flat cylindrical shape of the following net weights:
   - Emmentaler: not less than 60 kg but not more than 130 kg,
   - Gruyère and Sbrinz: not less than 20 kg but not more than 45 kg,
   - Bergkäse: not less than 20 kg but not more than 60 kg,
   - Appenzell: not less than 6 kg but not more than 8 kg.

5. Subheading 04.04 A I b) 2 shall be taken to apply only to goods the packings of which bear at least the following particulars:
   - the description of the cheese,
   - the fat content, by weight, in the dry matter,
   - the packer responsible,
   - the country of origin of the cheese.

6. For the purposes of subheading 04.04 D I, the expression “put up for retail sale” shall be taken to apply to cheese of kinds classified under that subheading put up in immediate packings of a net weight not exceeding 1 kg containing portions or slices of an individual net weight not exceeding 100 g.

7. For the purposes of subheadings 04.04 A I a), A I b) and D I, the term “free-at-frontier value” shall be taken to mean the free-at-frontier price or free on board price in the country of exportation, plus a lump sum to be determined in respect of the expenses of delivery to the customs territory of the Community.

8. Levy applicable to certain mixtures falling within this Chapter:

   The levy applicable to mixtures falling within this Chapter and composed of products classified under headings or subheadings 04.01 B, 04.02, 04.03, 04.04, 17.02 A or 21.07 F I shall be that applicable to the ingredient which involves the higher or highest levy and which also forms at least 10% by weight of the mixture concerned. Where this method of assessing the levy cannot be applied, the levy to be applied to such mixtures shall be that determined by the tariff classification of the mixtures.
<table>
<thead>
<tr>
<th>Heading number</th>
<th>Description</th>
<th>Rate of duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>04.01</td>
<td>Milk and cream, fresh, not concentrated or sweetened:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A. Of a fat content, by weight, not exceeding 6%:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I. Yoghurt, kephir, curdled milk, whey, buttermilk and other fermented or acidified milk:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) In immediate packings of a net capacity of two litres or less .............</td>
<td>16 (L)</td>
</tr>
<tr>
<td></td>
<td>b) Other</td>
<td>16 (L)</td>
</tr>
<tr>
<td></td>
<td>II. Other:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) In immediate packings of a net capacity of two litres or less and of a fat content, by weight:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Not exceeding 4%</td>
<td>16 (L)</td>
</tr>
<tr>
<td></td>
<td>2. Exceeding 4%</td>
<td>16 (L)</td>
</tr>
<tr>
<td></td>
<td>b) Other, of a fat content, by weight:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Not exceeding 4%</td>
<td>16 (L)</td>
</tr>
<tr>
<td></td>
<td>2. Exceeding 4%</td>
<td>16 (L)</td>
</tr>
<tr>
<td></td>
<td>II. Other:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>l. Exceeding 6% but not exceeding 21%</td>
<td>16 (L)</td>
</tr>
<tr>
<td></td>
<td>II. Exceeding 21% but not exceeding 45%</td>
<td>16 (L)</td>
</tr>
<tr>
<td></td>
<td>III. Exceeding 45%</td>
<td>16 (L)</td>
</tr>
<tr>
<td>04.02</td>
<td>Milk and cream, preserved, concentrated or sweetened:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A. Not containing added sugar:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I. Whey</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>II. Milk and cream, in powder or granules:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) In immediate packings of a net capacity of 2.5 kg or less and of a fat content, by weight:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Not exceeding 1.5%</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>2. Exceeding 1.5% but not exceeding 2%</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>3. Exceeding 2% but not exceeding 29%</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>4. Exceeding 29%</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>b) Other, of a fat content, by weight:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Not exceeding 1.5%</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>2. Exceeding 1.5% but not exceeding 2%</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>3. Exceeding 2% but not exceeding 29%</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>4. Exceeding 29%</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>III. Milk and cream, other than in powder or granules:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) In immediate packings of a net capacity of 2.5 kg or less and of a fat content, by weight:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Of a fat content, by weight, not exceeding 8.9%</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>2. Other</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>b) Other, of a fat content by weight:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Not exceeding 45%</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>2. Exceeding 45%</td>
<td>18 (L)</td>
</tr>
<tr>
<td></td>
<td>B. Containing added sugar:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I. Milk and cream, in powder or granules:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Special milk for infants, in hermetically sealed containers of a net capacity of 500 g or less and of a fat content, by weight, exceeding 10% but not exceeding 27%</td>
<td>23 (L)</td>
</tr>
</tbody>
</table>

*Entries under this heading are subject to conditions to be determined by the competent authorities.*
<table>
<thead>
<tr>
<th>Heading number</th>
<th>Description</th>
<th>Rate of duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>04.02 (cont'd)</td>
<td>B. I. b) Other:</td>
<td>Autonomous % or levy (L) Conventional %</td>
</tr>
<tr>
<td></td>
<td>1. In immediate packings of a net capacity of 2.5 kg or less and of a fat content, by weight:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Not exceeding 15%</td>
<td>23 (L)</td>
</tr>
<tr>
<td></td>
<td>bb) Exceeding 15% but not exceeding 27%</td>
<td>23 (L)</td>
</tr>
<tr>
<td></td>
<td>cc) Exceeding 27%</td>
<td>23 (L)</td>
</tr>
<tr>
<td></td>
<td>2. Other, of a fat content, by weight:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) Not exceeding 15%</td>
<td>23 (L)</td>
</tr>
<tr>
<td></td>
<td>bb) Exceeding 15% but not exceeding 27%</td>
<td>23 (L)</td>
</tr>
<tr>
<td></td>
<td>cc) Exceeding 27%</td>
<td>23 (L)</td>
</tr>
<tr>
<td></td>
<td>II. Milk and cream, other than in powder or granules:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a) In immediate packings of a net capacity of 2.5 kg or less and of a fat content, by weight, not exceeding 9.5%</td>
<td>23 (L)</td>
</tr>
<tr>
<td></td>
<td>b) Other, of a fat content by weight:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Not exceeding 45%</td>
<td>23 (L)</td>
</tr>
<tr>
<td></td>
<td>2. Exceeding 45%</td>
<td>23 (L)</td>
</tr>
<tr>
<td>04.03</td>
<td>Butter:</td>
<td></td>
</tr>
<tr>
<td>A.</td>
<td>Of a fat content, by weight, not exceeding 85%</td>
<td>24 (L)</td>
</tr>
<tr>
<td>B.</td>
<td>Other</td>
<td>24 (L)</td>
</tr>
<tr>
<td>04.04</td>
<td>Cheese and curd a):</td>
<td></td>
</tr>
<tr>
<td>A. Emmentaler, Gruyere, Sbrinz, Bergkase and Appenzell, not grated or powdered:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Of a minimum fat content of 45% by weight, in-the dry matter, matured for at least three months (b):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Whole cheeses of a free-at-frontier value per 100 kg net weight of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. 272.74 ECU or more, but less than 296.92 ECU</td>
<td>23 (L)</td>
<td>(c)</td>
</tr>
<tr>
<td>2. 296.92 ECU or more</td>
<td>23 (L)</td>
<td>(c)</td>
</tr>
<tr>
<td>b) Pieces packed in vacuum or in inert gas:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. With rind on at least one side, of a net weight:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Of not less than 1 kg but less than 5 kg and of a free-at-frontier value of not less than 296.92 ECU but less than 330.77 ECU per 100 kg net weight</td>
<td>23 (L)</td>
<td>(c)</td>
</tr>
<tr>
<td>bb) Of not less than 450 g and of a free-at-frontier value of not less than 330.77 ECU per 100 kg net weight</td>
<td>23 (L)</td>
<td>(c)</td>
</tr>
<tr>
<td>2. Other, of a net weight of not less than 75 g but not more than 250 g and of a free-at-frontier value of not less than 354.95 ECU per 100 kg net weight</td>
<td>23 (L)</td>
<td>(c)</td>
</tr>
<tr>
<td>II. Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Glarus herb cheese (known as Schabziger), made from skimmed milk and mixed with finely-ground herbs (b)</td>
<td>23 (L)</td>
<td>12</td>
</tr>
<tr>
<td>C. Blue-veined cheese, not grated or powdered</td>
<td>23 (L)</td>
<td></td>
</tr>
</tbody>
</table>

a The exchange rate to be applied in converting into national currencies the ECU referred to in the subdivisions of this heading shall, notwithstanding General Rule C.3 contained in Part I, Section I, be the representative rate, if such rate is fixed for the purposes of the common agricultural policy.

b Entry under this subheading is subject to conditions to be determined by the competent authorities.

c See Annex.
D. Processed cheese, not grated or powdered:

I. In the blending of which only Emmentaler, Gruyere and Appenzell have been used and which may contain, as an addition, Glarner herb cheese known as Schahziger, put up for retail sale, of a free-at-frontier value of not less than 18\(\text{ECU}\) per 100 kg net weight and of a fat content, by weight, in the dry matter, not exceeding 56%:

II. Other, of a fat content, by weight:
   a) Not exceeding 36% and of a fat content, by weight, in the dry matter:
      1. Not exceeding 48%:
      2. Exceeding 48%:
   b) Exceeding 36%

E. Other:

I. Not grated or powdered, of a fat content, by weight, not exceeding 40% and a water content, calculated by weight of the non-fat matter:
   a) Not exceeding 47%:
   b) Exceeding 47% but not exceeding 72%:
      1. Cheddar:
      2. Tilsit and Butterkase, of a fat content, by weight, in the dry matter:
         aa) Not exceeding 48%:
         bb) Exceeding 48%:
      3. Kashkaval (a):
      4. Cheese of sheep’s milk or buffalo milk, in containers containing brine, or in sheep or goatskin bottles (a):
      5. Other (a):
   c) Exceeding 72%:
      1. In immediate packings of a net capacity not exceeding 500 g:
      2. Other:

II. Other:
   a) Grated or powdered:
   b) Other

(a) Entry under this subheading is subject to conditions to be determined by the competent authorities.

(b) Within the limits of an annual tariff quota of 9,000 tonnes to be granted by the competent authorities, a rate of 12.09 ECU per 100 kg net weight is provided for whole Cheddar cheeses of a minimum fat content of 50% by weight in the dry matter, matured for at least three months and of a free-at-frontier value of not less than 194.43 ECU per 100 kg net weight.

For these purposes “whole cheeses” means:
1. cheeses of the conventional flat cylindrical shape of a net weight of not less than 33 kg but not more than 44 kg,
2. cheeses in cube blocks of a net weight of 10 kg or more.

The minimum values shall be automatically adjusted to take account of changes in the factors determining the formation of Cheddar prices in the Community. This adjustment shall be by way of an increase or decrease equal to that of the threshold price of Cheddar in the Community.

Furthermore, entry under this quota shall be subject to conditions to be determined by the competent authorities.

(c) Within the limits of an annual tariff quota of 3,500 tonnes to be granted by the competent authorities, a rate of 12.09 ECU per 100 kg net weight is provided for Cheddar of subheading ex 04.04 E 1 b 1 and other cheeses of subheading ex 04.04 E 1 b 3 of a free-at-frontier value of not less than 175.10 ECU per 100 kg net weight, for processing.

The minimum values shall be automatically adjusted to take account of changes in the factors determining the formation of Cheddar prices in the Community. This adjustment shall be by way of an increase or decrease equal to that of the threshold price of Cheddar in the Community.

Furthermore, entry under this quota and verification of the end use shall be subject to conditions to be determined by the competent authorities.
### ANNEX

#### HEADINGS OR SUB-HEADINGS OF WHICH ONLY PART IS COVERED BY A GATT CONCESSION OR IN WHICH DIFFERENT CONCESSIONS HAVE BEEN GRANTED

<table>
<thead>
<tr>
<th>Heading Number</th>
<th>Description</th>
<th>Rate of conventional duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>04.04</td>
<td>Cheese and curd:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A. Emmentaler, Gruyère, Sbrinz, Bergkäse and Appenzell, not grated or powdered:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I. Of a minimum fat content of 45% by weight, in the dry matter, matured for at least three months (a):</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) Whole cheeses (b) of a free-at-frontier value per 100 kgs. net weight of:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ex 1. 141.45 ECU or more, but less than 171.37 ECU (other than Appenzell) (c) (d)</td>
<td>24.18 ECU per 100 kgs. net weight</td>
</tr>
<tr>
<td></td>
<td>ex 2. 171.37 ECU or more (other than Bergkäse) (c)</td>
<td>9.07 ECU per 100 kgs. net weight</td>
</tr>
<tr>
<td></td>
<td>(b) Pieces packed in vacuum or in inert gas:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. With rind on at least one side, of a net weight:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ex (aa) Of not less than 1 kg. but less than 5 kgs. and of a free-at-frontier value of not less than 165.63 ECU but less than 205.52 ECU per 100 kgs. net weight (other than Appenzell) (c) (d)</td>
<td>24.18 ECU per 100 kgs. net weight</td>
</tr>
</tbody>
</table>

(a) Entry under this sub-heading is subject to conditions to be determined by the competent authorities.

(b) The expression "whole cheeses" shall be taken to apply to whole cheese of the conventional flat cylindrical shape of the following net weights: Emmentaler - not less than 60 kgs. but not more than 130 kgs.; Gruyère and Sbrinz - not less than 20 kgs. but not more than 45 kgs.; Bergkäse - not less than 20 kgs. but not more than 60 kgs.; Appenzell - not less than 6 kgs. but not more than 3 kgs.

(c) The Community reserves the right to reduce the minimum values specified in the concessions. From 1 July 1970 the minimum values shall be automatically adjusted to take account of changes in the factors determining the formation of Emmentaler prices in the Community. This adjustment shall be by way of an increase or decrease of 16.93 ECU in the minimum values for every increase or decrease of 1.21 ECU per 100 kgs. in the common target price of milk in the Community.

(d) The Community reserves the right autonomously to reduce the customs duties from 24.18 to 13.13 ECU by raising the value limits by 6.04 ECU.
Annex I(b) (cont'd)

<table>
<thead>
<tr>
<th>Heading Number</th>
<th>Description</th>
<th>Rate of conventional duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>04.04</td>
<td>A. I. (b) 1. ex (bb) of not less than 450 kgs. and of a free-at-frontier value of not less than 205.52 ECU per 100 kgs. net weight (other than Bergkäse) (a)</td>
<td>9.07 ECU per 100 kgs. net weight</td>
</tr>
<tr>
<td></td>
<td>ex 2. Other of a net weight of not less than 75 grs. but not more than 250 grs. and of a free-at-frontier value of not less than 229.70 ECU per 100 kgs. net weight (other than Bergkäse) (a) (b)</td>
<td>9.07 ECU per 100 kgs. net weight</td>
</tr>
</tbody>
</table>

(a) The Community reserves the right to reduce the minimum values specified in the concessions. From 1 July 1970 the minimum values shall be automatically adjusted to take account of changes in the factors determining the formation of Emmentaler prices in the Community. This adjustment shall be by way of an increase or decrease of 16.93 ECU in the minimum values for every increase or decrease of 1.21 ECU per 100 kgs. in the common target price of milk in the Community.

(b) Vacuum-packed pieces of a net weight of not less than 75 grs. but not more than 250 grs. qualify for the concession only if their packings bear at least the following particulars:
- description of the cheese
- fat content,
- packer responsible,
- country of manufacture.
Note 2: Hermetically sealed cans means cans soldered or flanged in such a manner that neither air nor germs can enter and the opening of which causes the contents to deteriorate.

04.01 Milk and cream, fresh, not concentrated or sweetened

Insofar as the products have not undergone any treatment other than those provided for in the Explanatory Notes to the CCC Nomenclature, this heading covers primarily:

1. Fresh milk proper, whether skimmed or not;

2. Pasteurized milk, i.e. milk the keeping qualities of which have been improved by partial elimination of microbial growths by means of heat treatment;

3. Sterilized milk, including UHT milk (Ultra High Temperature) which keeps longer, the microbial growths having been virtually eliminated by a more extensive heat treatment;

4. Homogenized milk in which the fat globules of the natural emulsion have been fragmented - by mechanical means under a very high pressure linked with heat treatment - into glomerules of smaller dimensions, which partially prevents the formation of cream;

5. Peptonized milk, i.e. milk the digestibility of which has been improved by adding pepsins to process the proteins;

6. Curdled milk which is coagulated milk (mainly obtained by the lactic acid acting spontaneously with the natural ferments of the milk, by means of additional ferments extracted from veal rennet and also the addition of other coagulants). The curd, which has a thick, fairly fluid, consistency, rests in a cloudy liquid or "serum";
04.01 7. Milk fermented by various ferments, including:
(cont'd)

(a) Képhir or kefir, a frothy beverage interspersed with képhir seeds and obtained by partial acidic and alcoholic fermentation of the lactose contained in milk or whey. It is usually made from cow's, goat's or sheep's milk;

(b) Koumiss, a liquid obtained by similarly treating mare's, goat's, camel's or buffalo's milk, or a mixture of ass's and cow's milk;

(c) Yoghourt, more or less liquid, resulting from the coagulation of milk from which part of the water content has often been removed.

On the other hand, heading No. 21.07 covers yoghourt which is not ready for consumption as a drink but is flavoured by the addition of quantities, sometimes very small, of fruit juices, jams, etc., and a fortiori yoghurt to which pieces of fruit (currents, strawberries, pineapples, nuts, etc.) have been added. Such products containing added cocoa powder fall in heading No. 18.06. Flavoured yoghurt in a liquid state ready for consumption as drink, known as 'drinking yoghurt', is however classified in heading No. 22.02;

8. Cream, which is the fatty layer which forms naturally on the top of standing milk by slow agglomeration of the fatty emulsifying globules. Whether removed by hand or extracted by centrifuging the milk in a cream separator, it contains, in addition to the other constituents of milk, a fairly high fat content (usually exceeding 10 per cent by weight).

Cream is regarded as 'not concentrated' within this heading, no matter what its percentage fat content, so long as it has been obtained wholly:

(a) by skimming the surfaces of the milk, or

(b) by centrifuging.

On the other hand, 'concentrated' cream produced by different means, such as the evaporation of water during heat treatment, falls in heading No. 04.02
The liquids remaining after the manufacture of butter or cheese, viz:

(a) Buttermilk, a by-product of butter manufacture, which is a white liquid similar to skimmed milk and has started fermenting and contains protein substances, lactose, traces of fat, lecithin, phosphates and some of the vitamins of milk;

(b) Whey, a by-product of the manufacture of cheese or casein, which is a clear, greeny-yellow liquid containing parts of lactalbumin, lactose, mineral salts and traces of the other constituents of milk (fat, casein, etc.).

This heading excludes products of the type known commercially as 'filled milk' which are classified in heading No. 22.02 if they are beverages ready for consumption (see Explanatory Note to heading No. 22.02).

04.02 Milk and cream, preserved, concentrated or sweetened

This heading covers all products (milk, cream and residual derivatives) mentioned in heading No. 04.01, which have undergone a concentration process and/or a preservation process within the meaning of Note 2 to this Chapter, or which have been sweetened.

Products of this kind may contain certain other added substances such as starch in proportions not exceeding 10 per cent by weight or anti-oxidants, emulsifiers, vitamins or small quantities of acids (including lemon juice).

This heading excludes products of the type known commercially as "filled milk" whether in liquid or powdered form (heading No. 22.02 or 21.07).

A I Whey

This sub-heading covers products obtained from whey by partial or total elimination of water without adding sugar and whatever their form (liquid, syrup, thick or solid) or means of manufacture, e.g. for powdered products the Roller (Hatmaker and other) process, or spray process.

Whey of this kind is classified in this sub-heading whatever the lactose content.
B Containing added sugar

This sub-heading covers milk and cream to which sugars other than lactose (for example, sucrose, invert sugar, glucose, fructose, dextri-maltose) have been added in particular for the purpose of sweetening or preservation.

These products remain classified here only when their content of sugars other than lactose (calculated as sucrose) does not exceed 60 per cent by weight.

B I (a) Special milk for infants, in hermetically sealed containers of a net capacity of 500 grs. or less and a fat content, by weight, exceeding 10 per cent but not exceeding 27 per cent

This sub-heading covers only "special milk for infants" as defined in Additional Note 2 to this Chapter and accompanied by a certificate recognized by the competent authorities.

Products not satisfying these conditions and/or which do not answer the description in sub-heading 04.02 B I (a) are classified in sub-heading 04.02 B I (b).

04.03 Butter

Butter is an aqueous emulsion in the milk fat, the water being its dispersed phase and the fat its dispersion medium.

On the other hand, cream (headings Nos. 04.01 and 04.02) - in which the percentage of fat may in some cases equal that of butter - is an emulsion of fat globules in water, the water being its dispersion medium and the fat the dispersed phase.

From this difference in structure it follows that by adding the appropriate quantity of water to cream one can approximately reconstitute the original milk, but this is not possible with butter.

This heading includes butters made from cow's milk, goat's milk or sheep's milk, and also those made from buffalo's milk (ghee).

Butter normally contains by weight at least 82 per cent fat, approximately 15-16 per cent water and, in very small quantities, protein substances, lactose, mineral salts and most of the vitamins of milk.
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04.03 This heading also covers butter containing very small quantities of herbs, spices, flavourings, etc., provided the product retains the character of butter.

Excluded from this heading and classified in heading No. 21.07 are preparations known as "powdered butter" which are obtained by dehydrating an emulsion either of cream and skimmed milk, or of butter and skimmed milk, or of butterfat and skimmed milk, to which in each case has been added an emulsifier, a fluidifying agent and other products such as sodium caseinate or sodium citrate which are added mainly to prevent thickening; these products are used for cooking, baking, pastry making and the manufacture of ice-creams, etc.

B Other

Among the butters of this sub-heading which have a milk fat content of more than 85 per cent by weight are the resolidified butters ("beurres fondus"). This is a name which, in addition to resolidified butter as such, often covers a number of other similar dehydrated butters which are commonly known under various names such as "dehydrated butter", "anhydrous butter", "butter oil" or "butter fat".

04.04 Cheese and curd

Sub-headings 04.04 A, C, D, E I and E II (b) cover only whole cheeses or cheese in pieces, slices and other such forms.

Grated or powdered cheeses of all kinds (except Glarus cheese of sub-heading 04.04 B) are classified in sub-heading 04.04 E II (a).

A I Of a minimum fat content of 45 per cent by weight, in the dry matter, matured for at least three months

This sub-heading covers only Emmentaler, Gruyère, Sbrinz, Bergkäse and Appenzell accompanied by a certificate recognized by the competent authorities. If this condition is not fulfilled, they are classified in sub-heading 04.04 A II.

B Glarus herb cheese (known as Schabziger), made from skimmed milk and mixed with finely-ground herbs

This sub-heading covers only Glarus herb cheeses, known as Schabziger, in all their forms (more often than not in cones or powder), accompanied by a certificate recognized by the competent authorities. If this condition is not met they are classified in sub-heading 04.04 E.
Blue-veined cheese, not grated or powdered

This sub-heading covers all blue-veined cheeses such as Stilton, Blue Dorset, Saingorlon, Edelpilzkäse, Danish Blue, Mycella, Gorgonzola, Roquefort, Blue d’Auvergne, Bleu des Causses and Bleu de Quercy.

Processed cheese, not grated or powdered

The products covered by this sub-heading are obtained by melting hard or soft cheese.

The cheese is ground, mixed with small quantities of certain salts (e.g. sodium citrate). When heated, it liquefies and can be poured into moulds.

Melted cheese is wrapped in tin foil, in thin sheets of aluminium or of artificial plastic. It can also be pressed into tubular skins and smoked.

In conformity with the Explanatory Note to the CCC Nomenclature, heading No. 04.04, the presence of other substances in processed cheese, such as meat, vegetables, spices, etc. does not affect classification providing the goods retain the character of cheese.

Other

This sub-heading covers curd or "white cheese" which is the product obtained from curdled milk from which most of the serum has been extracted (e.g. by draining or squeezing). Curd (other than in powder) with up to 30 per cent by weight of added sugar and fruit is regarded as retaining the character of curd and remains classified under this sub-heading.

Apart from curd and other fresh (cream) cheeses, this sub-heading covers cheese of all kinds not specified or included in preceding sub-headings, among which are included:

Cheddar (sometimes traded under the name Chester), Tilsit, Havarti, Eron, Samsoe, Svecia, Danbo, Reggianito, Herrgaard, Elbo, Maribo, Edam, Gouda, Leidse, Friese-nagel, Kanterklaas, Grana (principally Parmigiano-Roggiano, Grana Padano), Pecorino, Asiago, Caciocavallo, Montasio, Pressato, Provolone, Ragusano, Italico, Fontina, Fontal, Taleggio, Stracchino,
Casein with a water content exceeding 15 per cent by weight also falls in this sub-heading.

E I (c) Exceeding 72 per cent

This sub-heading covers in general only curd and other fresh cheeses.

E II (a) Grated or powdered

The following fall in this sub-heading:

1. Grated cheeses, usually used as seasonings. They are obtained from hard cheeses (more particularly Grana, Parmigiano-Reggiano, Emmentaler, Reggianito, Sbrinz, Asiago, Pecorino, etc.) which after grating have been partially dehydrated with the object of ensuring the longest possible preservation.

2. Powdered cheeses, usually used in the food industry. They are obtained from all kinds of cheeses which have been either liquified and then powdered, or reduced to a paste and dried and ground.