

GENERAL AGREEMENT ON TARIFFS AND TRADE

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES

ELEVENTH SESSION

Draft Report

Introduction

1. The Committee of the Protocol Regarding Certain Cheeses held its eleventh session on 27, 28 and 30 September 1982.

Adoption of the agenda

2. The Committee adopted the following agenda:
 1. Adoption of the report on the tenth session
 2. Information required by the Committee:
 - (a) Replies to Questionnaire 3
 - (b) Summary tables
 - (c) Other information
 3. Review of the market situation for products covered by the Protocol
 4. Review of the level of minimum prices for products covered by the Protocol
 5. Establishment of a group of experts - proposal by New Zealand
 6. Other business

Adoption of report on the tenth session

3. The Committee adopted the report on its tenth session with an amendment communicated by the representative of Norway. The report will be distributed as DPC/C/15.

Information required by the Committee

(a) Replies to Questionnaire 3

4. The Committee reviewed the replies to Questionnaire 3 and requested members who had not yet communicated information in respect of the second quarter of 1982 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 3 relating to the third quarter of 1982 should reach the secretariat not later than 15 December 1982.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/C/W/1/Rev.10) prepared under Rule 28 of the Rules of Procedure and covering the information furnished in Table A of Questionnaire 1 regarding cheeses. That document also contained a table showing cheese exports by destination (years 1980 and 1981). In addition, as decided by the Committee at its session in June 1982, the secretariat had included in that document a summary table on consumption of cheeses. The Committee took note of document DPC/C/W/1/Rev.10.

(c) Other information

6. No other information was requested.

Review of the market situation for products covered by the Protocol

7. The representative of the EEC said that production and exports of cheeses could be slightly up in 1982 from the preceding year's level. Prices of Emmental cheese had firmed in the Community while those of other cheeses such as Cheddar, Edam and Gouda were developing in a way not proportional to the increase in milk prices for the 1982/83 season. For the moment, there were no problems in the Community's cheese sector.
8. The representative of New Zealand estimated that the trend towards increased production of cheese would continue in 1982/83. Exports of cheese had been up by 1 per cent in 1981/82 as compared to 1980/81. Price competition had increased in recent months, particularly in Japan. Export prices of the EEC to Japan had eased and were encouraging downward pressure on prices. Export prices were now about US\$100 lower for Japan in comparison to prices quoted in the second quarter of 1982.
9. The representative of Japan said that cheese imports had declined in 1981 to the level of 71,000 tons, as against 75,000 tons in 1980. Imports had rallied thereafter and in the first seven months of 1982 had increased by 9.8 per cent, the principal origins being New Zealand, Australia and the EEC. The consumption increase rate was expected to slacken in 1982.
10. The representative of Australia said that production of cheese in 1981/82 had amounted to 153,000 tons of which 57,500 tons had been exported. It was estimated that production would increase in 1982/83 to the level of 158,000 tons of which some 66,700 tons would be available for export. Like New Zealand, his country was experiencing competition from

the EEC in the Japanese market which was a significant outlet for Australian cheese. Imports of cheese had increased by 37 per cent in 1981/82 as compared to 1980/81. Export prices for Cheddar cheese were between US\$1,650 and US\$1,750 per ton f.o.b. and the market was relatively stable.

11. The representative of Argentina said that cheese exports had totalled 2,300 tons in the second quarter of 1982, the principal destinations being the United States, Venezuela and Mexico. Average export prices were in the region of US\$2,680 per ton.

12. The representative of Poland said that total cheese production had declined in the first two quarters of 1982 and the downtrend had continued in the third quarter of the year. Aggregate production of cheese in 1982 was forecast at about 20 per cent down from the preceding year's level.

13. The representative of South Africa said that the increase in domestic consumption of cheese in the second quarter of 1982 had been due to stockpiling by consumers before the retail price increases that had taken place as from 1 July 1982.

14. The representative of Finland said that cheese output could reach 72,000 tons in 1982, without change in relation to 1981. Exports could increase slightly in 1982 to between 39,000 and 40,000 tons, as against 38,000 tons exported in 1981. The principal destinations were the United States, the EEC and the USSR.

15. The representative of Norway said that cheese consumption had remained relatively stable in the first half of 1982 after having been rising for several years. Cheese exports were forecast to continue in 1982 at the preceding year's level.

16. The representative of Sweden said that cheese production could increase in 1982 to around 120,000 tons, as against 108,400 tons in 1981. Imports had shown a substantial increase in the first half of 1981. Cheese consumption in 1982 could be expected to be 1 to 2 per cent over the preceding year's level.

17. The representative of Switzerland said that cheese production was estimated to have declined by about 5 per cent in the third quarter of 1982. In that same period, cheese exports had dropped back by about 3 per cent, while imports had been 1 to 2 per cent above their level in the corresponding period of 1981. The buying-in prices for Emmental and Gruyère cheeses had been raised by Sw F 57 per 100 kg. with effect from 1 July 1982. That increase had been reflected in an increase by US\$300 per ton on the external market.

18. The representative of the United States informed the Committee that at 24 September 1982, government stocks of cheese had been around 374,500 tons, the average age of those stocks being 365 days. It was anticipated that output of cheese in 1983 would increase at a much slower rate than in recent years, as a result of the new dairy programme designed to bring milk production into balance with consumption. Production of cheese for 1983 was expected to be 2,015,000 tons as opposed to 1,976,000 tons for 1982.

19. The representative of New Zealand hoped that the United States would continue to behave responsibly with regard to exports of dairy products, particularly of cheese. He noted that the United States was holding large stocks of Cheddar cheese and that the market for this product was extremely sensitive and limited. In the view of his delegation, if the United States would depart from its present attitude of restraint, it would be a catastrophe for countries exporting dairy products and it would scarcely touch the United States problem.

20. The representative of the EEC underlined that keen concern was being felt over the considerable quantity of stocks of dairy products held by the United States. It was to be hoped that in the future the United States would continue to endeavour to avoid any disruption of the international market.

21. The observer for Canada said that output and consumption of Cheddar cheese had declined appreciably in the 1981/82 season in relation to the preceding season. As regards future prospects, total output and domestic consumption of cheese were expected to remain more or less stable in the 1982/83 season.

Review of the level of minimum prices for products covered by the Protocol

22. In accordance with Article 3:3 of the Protocol, the Committee reviewed the level of the minimum price for products covered by the Protocol. The Committee had before it proposals by New Zealand and Australia to increase the minimum prices (see documents DPC/P/W/8 - DPC/F/W/7 - DPC/C/W/7 - DPC/P/W/10 - DPC/F/W/9 - DPC/C/W/9). No consensus was reached on a modification to the minimum price.

23. The representative of New Zealand believed that the increases proposed in the minimum prices were justified. His authorities would be very disappointed that the decision to adjust minimum prices had not been taken. He pointed out that market conditions were not quite as firm as they had been a year earlier, particularly in respect of skimmed milk powder and that that understandably had made it more difficult for some participants to agree to adjustments in the minimum prices. He noted that almost all participants had been prepared apparently to rally to a compromise. He emphasized the importance for the future of the Arrangement that all participants appreciate fully the need for a spirit of compromise if the Arrangement was to be effective and to retain its credibility as an instrument capable of contributing to the stability of the international trade in dairy products.

24. The representative of Australia said that his delegation was very disappointed that the decision to increase minimum prices had not been taken. He believed that the increases proposed in the minimum prices were justified. His delegation was concerned that the market might interpret that situation as a signal of a loss of confidence which would lead to a weakening in prices. His delegation was even more concerned that the market might interpret that situation as a sign that those countries holding large stocks of dairy products, particularly the United States, were about to unload a fairly sizeable amount of dairy products onto the world market. He underlined that the Australian dairy industry was already very concerned about indications in some markets, particularly the Japanese market, that buyers were becoming a little hesitant, in the expectation

that a vast amount of dairy products would be available for them at distress-type prices. His delegation thought that it would be possible to some degree to retrieve that situation. For that reason, his delegation hoped that the United States would make another clear and very firm statement of its intentions about disposal of its surpluses and about the general international requirements concerning the disposal of such surpluses on concessional terms. He concluded his statement by emphasizing the importance of co-operation and a responsible attitude by participants for maintaining international market stability.

Establishment of a group of experts - proposal by New Zealand

25. It was noted that this agenda item had been examined in the Committee of the Protocol Regarding Certain Milk Powders.

Other business

Report to the Council

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

Date of next session

27. In accordance with the preliminary calendar, it has been decided that the Committees will hold their twelfth sessions consecutively on 15, 16 and 17 December, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Milk Fat will be followed by the session of the Committee of the Protocol Regarding Certain Milk Powders, then the session of the Committee of the Protocol Regarding Certain Cheeses.

ANNEX/ANNEXE/ANEXO

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