

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES

Twenty-First Session

Draft Report

Introduction

1. The Committee of the Protocol Regarding Certain Cheeses held its twenty-first session on 26 March 1985.

Adoption of the agenda

2. The Committee adopted the following agenda:
1. Election of the Chairman and Vice-Chairman
 2. Adoption of report on the twentieth session
 3. Information required by the Committee:
 - (a) Replies to Questionnaire 3
 - (b) Summary tables
 - (c) Other information
 4. Review of the market situation for products covered by the Protocol
 5. Other business.

Election of the Chairman and Vice-Chairman

3. The Committee elected Mr. G.A. Stünzi (Switzerland) as the Chairman of the Committee; no Vice-Chairman was elected.

Adoption of report on the twentieth session

4. The Committee adopted the report on its twentieth session. The report will be distributed as DPC/C/32.

Information required by the Committee

(a) Replies to Questionnaire 3

5. The Committee reviewed the replies to Questionnaire 3 and requested members who had not yet transmitted such information in respect of the fourth quarter of 1984 to do so without delay. Information concerning the first quarter of 1985 was requested at the latest by 15 June 1985.

(b) Summary tables

6. The Committee had before it a document containing revised summary tables (DPC/C/W/1/Rev.22) prepared under Rule 28 of the Rules of Procedure, and covering the information furnished in Tables A and B of Questionnaire 3 regarding certain cheeses. The Committee took note of this document.

(c) Other information

7. No other information was requested.

Review of the market situation for products covered by the Protocol

8. The representative of Argentina indicated that production of cheeses dipped by almost 30 per cent in 1984 compared to its level in 1983, while imports rose considerably to a level of 2,200 tons in 1984. Exports were down to 4,900 tons in 1984 as compared to 6,900 tons in 1983, with destinations remaining the same as before and United States taking close to 80 per cent of the total exports. Since Argentina exported high-quality cheeses, the prices were well above the minima set for Cheddar.

9. The representative of Australia pointed out that production of cheese in 1984 was slightly above the level in the previous year, i.e. 158,000 tons as compared to 156,000 tons in 1983. While imports increased by 2.5 per cent, from 20,200 tons in 1983 to 20,700 tons in 1984, exports were up by 7 per cent, from 52,500 tons in 1983 to 56,200 tons in 1984. There was a considerable jump in domestic consumption of cheeses, from 10,800 tons in 1983 to 124,200 tons in 1984. Stocks of cheese aggregated 99,400 tons at the end of 1984, which in the reckoning of the industry were about 20,000 tons higher than the desirable levels, but were not a source of real concern since a large part was held for maturation purposes. As regards destinations of exports, the EEC took by far the most (United Kingdom alone importing 2,700 tons), followed by the United States, then Iraq, Japan, and certain middle Eastern countries. Imports originated mainly from the EEC and some Scandinavian countries. Export pool returns gave average prices of US\$1,150 a ton/f.o.b. and US\$825 per ton/f.o.b. for defective Cheddar cheese. As regards the production of leviabile (Cheddar type) cheese, he indicated that output in the July-December period was 9.7 per cent below the 1983-84 period, and estimated 1984-85 production level at 110,000 tons. Some growth in domestic consumption was expected as a result of promotional activity and stable retail prices. Export availability was expected to be around 61,200 tons. Prices on the international market remained weak in the range of US\$1,000-1,200 per ton/f.o.b., due partly to the strength of the US dollar. He observed, however, that if international market demand for cheese continued to increase, the prices would also improve on their current low levels in 1985. Replying to a question from the spokesman of the EEC he made it clear that derogation from the minimum price level was only made for exports of defective Cheddar cheese which had been found contaminated by some type of bacteria. Small quantities of such cheese were sold on the domestic market, despite the fact that it was predominantly geared to high quality cheeses. Exports of defective cheese to other markets were made before the extraneous bacteria was discovered. No parallel could be drawn between old cheese and old butter because while derogation from the minimum price was built into the Protocol on cheeses, there was no such automatic derogation for old butter. The problem of old butter was specific to the EEC and was currently a subject of discussion in the Protocol Committees.

10. The representative of Bulgaria expressed doubts regarding his country's ability to export even 21,000 tons of cheese in the first-quarter of 1985 due to an uncertain situation in Iran which was the main importer of Bulgarian cheeses. Imports by the United States, the EEC and Australia, however, remained unaffected since they imported specific types of cheeses from Bulgaria. Total exports in 1984 amounted to 33,800 tons as against 11,700 tons in 1983. Export prices to United States and Iran, on average, were US\$2,200 per ton for sheep milk cheese, US\$1,100 per ton for cow milk cheese and US\$2,850 per ton for kashkaval cheese.

11. The representative of Hungary indicated that production of cheese in 1984 at 54,100 tons was 4.6 per cent higher than in 1983. Exports, however, declined by 13 per cent to 8,700 tons, while domestic consumption registered a substantial increase from 40,900 tons in 1983 to 46,100 tons in 1984. Average export prices were US\$1,609 per ton for cow cheeses and US\$2,556 per ton for sheep cheeses / franco Hungarian border.

12. The representative of Japan said that imports of cheese in 1984 added up to 79,000 tons, showing an increase of 11 per cent over 1983. Average import prices ranged between US\$1,480 and \$1,650 per ton/c.i.f.

13. The representative of New Zealand gave revised figures of production for the four quarters of 1984 as 40,000 tons, 12,000 tons, 19,000 tons and 50,000 tons respectively. The total output of cheese in 1984 thus added up to 121,000 tons, which was almost 27 per cent more than in 1983. Stocks at the beginning of 1984 were reckoned at 24,000 tons, but had increased to 61,000 tons by the close of the year. Exports of cheese at 87,300 tons in 1984 were 5.7 per cent higher than in 1983. Average export prices recorded for Cheddar cheese ranged between US\$1,150-1,200 per ton/f.o.b. The export price to the United States, where a quota was allocated, was, however, far above this level.

14. The representative of the European Community said that production of cheese during 1984 had increased by 4.2 per cent over the level of 3,970,000 tons in the previous year. Domestic consumption also increased and at 3,813,000 tons, it was 92 per cent of the total EEC production at 4,133,000 tons in 1984. Consumption forecasts for 1985 suggested a further increase, which on per capita basis, would not be more than 1.7 per cent as compared to 1.3 per cent in 1984. Exports of cheeses had continued to grow since 1977 and the EEC had retained 50 per cent of the share on the world market. Exports in 1984 at 1,280,000 tons were 5.4 per cent greater than in 1983. Average export prices for Cheddar cheese ranged between US\$1,150 and US\$1,200 per ton/f.o.b.

15. The representative of South Africa remarked that consumption of cheese in his country had steadily increased at a rate of 2-3 per cent per annum. Production, which had suffered a slight setback in 1983, recovered to some extent in 1984.

16. The representative of Poland indicated that output of cheeses in 1984 was almost 9 per cent higher than in 1983. Exports totalled 1,132 tons, almost entirely to the United States, while imports were 23,000 tons in 1984. Average export price was US\$1,621 per ton/f.o.b. The price would have been at least US\$400 higher if the United States had not withdrawn the most-favoured-nation's treatment from Poland. Average import price was about US\$1,338 per ton/c.i.f.

17. The representative of Finland mentioned that total output of cheeses in 1984 was 76,000 metric tons, which showed an increase of 4 per cent over the level in 1983. Consumption of cheeses remained stable at previous year's level but exports increased significantly to a level of 38,000 tons in 1984 compared to 32,000 tons in 1983. Average export price for Emmental type cheese in 1984 was US\$1,889 per ton/f.o.b.

18. The representative of Norway said that production of cheeses in her country had increased by about 7 per cent to a level of 68,225 tons in 1984. Exports had somewhat declined, which had caused an increase in stocks at the end of the year. Exports in the first three months of 1985 had aggregated 3,000 tons, consisting mostly of Jarlsberg and whey cheeses.

19. The representative of Sweden mentioned that there was a slight increase in cheese production. Output at 115,600 tons in 1984 was 700 tons more than in the previous year. Consumption was marginally down, but both imports and exports of cheese increased over the year. Estimates for 1985 showed that while production would slightly decline, consumption would marginally pick up.

20. The representative of Switzerland indicated that while production of cheeses in the first-quarter of 1985 would remain unchanged, consumption would be 2 to 3 per cent higher. Exports would go up by 10 per cent, while imports would also be 3 per cent higher. Stocks at 23,960 tons at the end of February were considered to be fairly high. In order to reduce these stocks, it had been decided that production would be reduced in the next few months. Replying to a question by the representative of the EEC, he made it clear that a 10 per cent reduction would apply to Emmental and Gruyère and 6.5 per cent to Appenzell and Tilsit in the month of April and 6.5 per cent to all the four types of cheeses in the month of May. In June, the reduction of 6.5 per cent would be applied only to Gruyère. These reductions would hopefully result into more acceptable levels of stocks. With regard to prices, he said that they remained more or less unchanged.

21. The observer of Canada said that he did not have much to add except to indicate that data contained in summary tables was not entirely correct. He would provide the corrections to the secretariat directly. In reply to a query from the representative of the EEC he undertook to obtain more details concerning the ratio of Cheddar cheese and other varieties of cheeses produced in Canada.

Other business

Communication from the Permanent Mission of South Africa (DPC/C/W/25)

22. The Committee noted that, in accordance with Article 7:2 of the Protocol Regarding Certain Cheeses, South Africa had decided to export over 2,000 tons of Cheddar cheese at a price below the GATT minimum price. While full details were not yet available about this derogation, the representative of South Africa made it clear that the maximum quantity to be exported might be less than the notified figure of 2,000 tons and that the processed cheese might even find its way into the EEC market.

Communication from the Permanent Mission of New Zealand (DPC/C/W/26)

23. The Committee also noted that, in accordance with Article 7:2 of the Protocol Regarding Certain Cheeses, New Zealand had sold, during January and February 1985, Cheddar cheese of lowest manufacturing quality displaying fruity, rancid flavours with some parcels contaminated by foreign matter. Sales amounting to 112 tons had been made to Portugal at US\$413.40 per ton/f.o.b. and to Sweden 33.6 tons at US\$891.40 per ton/f.o.b. New Zealand.

Report to the Council

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

Date of next session

25. In accordance with the preliminary time table adopted at their twentieth session, the Committees decided to hold their next regular session on 17 to 19 June 1985, subject to confirmation by the secretariat.