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GENERAL AGREEMENT ON TARIFFS AND TRADE

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES

Twenty-Third Session

Draft Report

Introduction

1. The Committee of the Protocol Regarding Certain Cheeses held its twenty-third session on 23-24 September 1985.

Adoption of the agenda

2. The Committee adopted the following agenda:

    1. Adoption of report on the twenty-second session
    2. Information required by the Committee:
        (a) Replies to Questionnaire 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 under Article 3:3(b) for products covered by the Protocol
    5. Adjustment of minimum prices according to exchange rate fluctuations
    6. Report to the Council
    7. Date of next session and calendar of meetings in 1986.

Adoption of report on the twenty-second session

3. The Committee adopted the report on its twenty-second session. This was distributed as document DPC/C/35.

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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 such information in respect of the second quarter of 1985 to do so without further delay. Participants were also urged to submit information regarding the third quarter of 1985 not later than 15 December 1985.

(b) Summary tables

5. Summary tables concerning the information normally supplied in Tables A and B of Questionnaire 3 regarding cheeses were not available and therefore the Committee considered the stastistical data provided in the document DPC/W/47 up to 15 August 1985. It was, however, understood that revised summary tables would be issued as soon as it was possible for the secretariat to do so.

(c) Other information

6. The Committee considered the information provided by Australia, New Zealand and South Africa on sales of low quality cheeses under the Article 7:2 derogation. The representative of the EEC remarked that the specific notification failed to give a precise indication regarding destinations. It was necessary for other exporting countries to know what exact quantities, and at what prices, were being shipped to certain countries. The representatives of Australia and South Africa indicated that the shipments were made to certain traders and not to particular destinations. It would not, therefore, be too useful to give the nationality of the traders. The representative of New Zealand took the opportunity to reaffirm that his country's notificatons always gave a precise indication of destinations and the prices at which sales were made. In concluding, the Chairman drew attention to Article 7, paragraph 2 of the Protocol Regarding Certain Cheeses, which stipulated that participants would notify the Committee quarterly of all sales of cheese effected under the provisions of this paragraph, specifying in

respect of each transaction the quantities, prices and destinations involved. He, therefore, hoped that participants would in future keep this in mind when submitting their notifications. The representative of the EEC asked the secretariat to prepare a report on cheese exports under the derogation provided in Article 7:2 of the Protocol for each regular meeting of the Committee. The Committee agreed to establish and keep up to date such a document containing a record of such exports. Based on the available information, a document was distributed as DPC/C/W/27 showing exports up to September 1985.

Review of the market situation for products covered by the Protocol

7. The spokesman for the EEC estimated that the output of cheese was 4,219,000 tons, i.e., 1.9 per cent higher than the level in 1984. As regards the current stocks of cheese under the private stocking agreements, the EEC had 114,403 tons of cheese, of which 80,000 tons was Parmesan type of Italian cheese. The stock situation did not cause any concern; in fact, this meant an improvement in the quality of cheeses with vintage. The average export price of Cheddar cheese remained relatively stable in the range of US$ 1,220 and US$ 1,270 per ton f.o.b.

8. The representative of Australia stated that production of cheese in 1984/85 at 159,584 tons was 0.9 per cent lower than the level of 161,094 tons in 1983/84. This was due to a fall in the output of Cheddar and leviable cheeses, from 118,000 tons to 109,000 tons, due to high end-of-season stocks and limited export prospects. In 1985/86 cheese production was expected to increase by 4 per cent to a level of 166,000 tons (110,000 tons of leviable cheese and 56,000 tons of non-leviable cheese). In response to continued promotional activity and relatively stable prices, domestic sales of Australian cheese were 7 per cent higher at 103,000 tons as compared with 96,000 tons in 1983/84. A further increase in domestic sales to 111,000 tons was anticipated which, with given closing stocks of 70,000 tons, would give export availability of 61,500 tons (55,300 tons leviable and 6,200 tons of non-leviable cheeses). In 1984/85, exports amounted to 66,600 tons, 60,300 tons leviable and 6,300 tons non-leviable cheeses. In

conclusion, he indicated that international cheese prices appeared to be relatively stable to the Japanese market in the range of US$ 1,100 and US$ 1,150 per ton f.o.b. World cheese production was likely to continue to increase by about 2 per cent in 1985, emphasizing its relative profitability compared to that of its major alternative, butter. Similarly, world cheese trade was expected to increase by about 3 per cent in 1985 with cheese representing one of the few dairy products where international demand was expected to increase steadily.

9. The delegate of Japan said that domestic production of cheese in 1984 was 19,000 tons, which was 4 per cent below the level of the previous year. Imports of cheese, however, increased by 10.3 per cent to a level of 79,000 tons in 1984. In the first six months of 1985, imports were 5 per cent more than in the corresponding period of last year. In reply to a question by the representative of the EEC, he indicated that average import price of cheeses from different sources in July 1985 were US$ 1,618 per ton c.i.f.

10. The representative of New Zealand estimated that production of cheese in the 1985/86 season would be at a broadly similar level as in 1984/85, although there could be some marginal increase depending on the level of total milk production. Exports were expected to be in line with actual exports recorded in the year to June with no significant changes expected in the level of stocks. In regard to prices, he said that no major movements had taken place in the prices of major types of internationally-traded cheeses over the last three months. Prices currently were in the range of US$ 1,050 - US$ 1,250 per ton f.o.b.

11. The representative of Poland informed that cheese stocks at the beginning of 1985 were 9,224 metric tons and production in the first six months of 1985 aggregated 58,856 metric tons. Imports were 231 metric tons while exports totalled 509 metric tons. Total consumption during this period amounted to 50,233 metric tons. Stocks at the end of June 1985 had increased to 10,665 metric tons.

12. Reviewing the cheese situation in his country during the second quarter of 1985, the representative of South Africa said that the production figure of 7,422 metric tons was consistent with the season. This trend was expected to continue into the third quarter with estimates of 5,032 tons given for Cheddar and 4,584 tons for Gouda. Consumption levels were up by 2 per cent, i.e., 2,878 tons for Cheddar and 3,043 tons for Gouda. A further increase in consumption was anticipated during 1985. No cheese imports were envisaged and no exports of Gouda; but exports of Cheddar were expected to amount to 650 tons. Stocks at the end of September were estimated at 6,916 tons for Cheddar and 3,475 tons for Gouda.

13. The representative of Finland indicated that cheese production during 1985 was forecast to remain more or less at the same level as during 1984. Domestic consumption was expected to increase by 1.5 per cent. Exports of cheese were likely to drop from 37,000 tons in 1984 to 32,000 tons in 1985. Stocks, which aggregated 14,000 tons at the end of June 1984, dropped to 10,000 tons at the end of June 1985. Average export price of Emmental type cheese was reckoned at US$ 2,540 per ton f.o.b.

14. The delegate of Norway said that cheese production in the first six months of 1985 was 4 per cent more than in the corresponding period of 1984. The production of white cheese was also in line with the production plans. Stocks at the end of June 1985 were 22,691 tons, which was an acceptable level. Average export prices on the United States market were satisfactory, just as they were stable in other markets.

15. The representative of Sweden mentioned that cheese production in his country in the first half of 1985 was 600 tons below the level of the corresponding period of last year. Domestic consumption, however, showed an increase by 400 tons during the same period. Imports were slightly up, but exports fell. Stocks on 1 July 1985 amounted to 44,000 tons, the same level as last year. Average export price recorded during the second quarter of 1985 was US$ 1,785 per ton f.o.b.

16. The representative of Switzerland reported a fall of 7 per cent in the production of cheese in the second quarter compared to the level in the same period last year. A further decline of 6 per cent was expected in production in the third quarter of 1985, while imports and exports had shown an increase by 4.4 per cent and 1.6 per cent respectively. Production was expected to drop by 6 per cent in the third quarter of 1985. No clear indication was available regarding domestic consumption, but rough estimates suggested an increase of 2 per cent in the third quarter of 1985 in relation to the third quarter of 1984. At the end of July 1985, cheese stocks had been at a somewhat high level, but thereafter had tended to decline. While the prices of Emmental and Gruyère cheeses had remained unchanged since June 1985, prices of Appenzell and Tilsit had increased slightly (SF 0.50 per quintal) and prices of Sbrinz cheese had declined by SF 0.50 per quintal.

17. The representative of Uruguay wished to correct the export figure shown in document DPC/Uruguay/Q II/85, page 15, for the first quarter of 1985, which should read 0,246 instead of 6,246. He said that yearly cheese production in his country amounted to about 11,200 tons, of which about 32 per cent was exported. In the first six months of 1985, 36 per cent of the total was exported completely free of subsidies, except for the reimbursement of the value added tax. Exports were mainly directed to the neighbouring region, the main markets being Mexico, Argentina and Peru, and only small quantities going to South Africa. Average export prices of different varieties of cheeses were US$ 3,850, US$ 2,412, US$ 2,191 and US$ 2,046 per ton f.o.b. Prices received in the second quarter were slightly better than in the first quarter of 1985. Imports totalled 15-20 tons and average price of cheese, imported mainly from France, Denmark and the Federal Republic of Germany, was about US$ 1,914 per ton c.i.f.

18. The observer of Canada reported that cheese production in the dairy year of 1984/85 was 197,500 tons. Domestic disappearance totalled 214,500 tons, i.e., 6 per cent more than in 1983/84. Canadian imports were 20,450 tons while exports were 8,550 tons. No major change was anticipated for the current dairy year, except that domestic disappearance was estimated to be slightly higher at a level of 216,000 tons in 1985/86. In reply to a question by the representative

of New Zealand, he explained that Canadian cheese exports to the Japanese market were not a new development and they were in no way disruptive to the trade of other traditional exporters. Figures of exports provided for the first and second quarters did not reflect exports to the Japanese market, but it was hoped that the third quarter figures would include all those exports.

Review of the level of minimum prices under Article 3:3(b) for products covered by the Protocol

19. The discussion on this subject has been reproduced in paragraphs 21-28 of the report of the Committee of the Protocol Regarding Certain Milk Powders.

Adjustment of minimum prices according to exchange rate fluctuations

20. The discussion on this subject was continued at the joint meeting of the three Protocol Committees, the summary of which is given in paragraphs 28-41 of the report of the Committee of the Protocol Regarding Certain Milk Powders.

Report to the Council

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

Date of next session and the schedule of meetings in 1986

22. The next session of the Committees will be held on 16-18 December 1985, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Milk Fat will be followed by the session of the Committee of the Protocol Regarding Certain Cheeses and then the Committee of the Protocol Regarding Certain Milk Powders. The Committee took note of a draft tentative schedule of regular meetings of the Council and Committees in 1986 (DPC/W/49).