

**GENERAL AGREEMENT ON  
TARIFFS AND TRADE**

RESTRICTED

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES

Twenty-Fourth Session

Report

Introduction

1. The Committee of the Protocol Regarding Certain Cheeses held its twenty-fourth session on 16-17 December 1985.
2. The Committee adopted the following agenda:
  1. Adoption of report on the twenty-third session
  2. Information required by the Committee
  3. Sales under derogations
  4. Review of the market situation for products covered by the Protocol
  5. Adjustment of minimum prices according to exchange rate fluctuations
  6. Adoption of report to the Council
  7. Date of next session

Adoption of report on the twenty-third session

3. The Committee adopted the report on its twenty-third session. This was distributed as document DPC/C/36.

Information required by the Committee

(a) Replies to Questionnaire 3

4. The Committee reviewed the replies to Questionnaire 3 and requested participants who had not communicated such information in respect of the third quarter of 1985 to do so without further delay. They were also requested to submit information regarding the fourth quarter of 1985 by 14 March 1986 at the latest.

(b) Summary tables

5. The Committee reviewed the summary tables based on information provided by participants in Tables A and B of Questionnaire 3 in respect of certain cheeses. The Committee took note of document DPC/C/W/29.

(c) Other information

6. The Committee took note of the statistical information which the secretariat had compiled on production, trade, stocks and consumption of dairy products in the United States.

Sales under derogations

7. The Committee took note of Australia's intended sale of 49.6 tons of down-graded cheese, with deposits of calcium lactate in the cheese mass, under Article 7:2 of the Protocol Regarding Certain Cheeses. This cheese had been exported to Japan, but now had to be re-exported to an "European" destination at an average export price of US\$1,030/ton f.o.b. (Japan) because it was unacceptable to the Japanese customer for whom it was intended. No indication of the exact destination was, however, available (DPC/C/W/28/Add.1). The Committee also took note of New Zealand's sales of 1,121.8 tons of low-quality Cheddar cheeses at prices below the GATT minimum price (US\$387-US\$776.61/per ton f.o.b.) for processing and re-export (DPC/C/W/26/Add.3), and South Africa's sales of 336 tons of cheese at an average price of US\$800/ton f.o.b. to an unknown destination in Europe (DPC/C/W/25/Add.2).

Review of the market situation for products covered by the Protocol

8. The spokesman for the Community reported that while production of cheeses in the EEC countries during 1985 was expected to be 1.8 per cent higher than in the previous year, consumption was not likely to increase by more than 1.1 per cent. As a result, private stocks had increased to 110,784 tons by 12 December, of which 92,000 tons were those of Italian type cheeses. While there was an overall expansion in the demand for cheeses, the EEC's exports had for the first time declined due to a severe price competition on the world market. Exports of Fetta type cheeses had dropped by 12.1 per cent, while those of Cheddar cheese had dropped by almost 53 per cent. Average export price recorded for Cheddar cheese during the third quarter of 1985 was US\$1,200/ton, f.o.b. He, however, noted that some sales of Cheddar cheese had reportedly been made at the level of the minimum price of US\$1,000 per ton/f.o.b. At the time of the adoption of the report to the Council (DPC/C/37) the EEC representative insisted on including a price range of US\$1,000-1,300 per ton/f.o.b.

9. The representative of Australia said that production of cheese in the July-September 1985 period was 39,400 tons which was 1 per cent above that for the same quarter of 1984. While the output of leviabile (Cheddar type) cheese during this period at 27,400 tons was up by 5.3 per cent, the production of non-leviabile cheese fell by 8.7 per cent from 13,100 tons to 12,000 tons. Production during the 1985/86 fiscal

year was expected to reach 166,000 tons, marking an increase of 4 per cent over the 1984/85 output of 159,600 tons. The leviabile cheese production was forecast to increase by 1.3 per cent to a level of 110,000 tons and that of non-leviabile by 9.8 per cent to a level of 56,000 tons. Export availability of cheese for 1985/86 was estimated to be around 61,000 tons (55,000 tons leviabile; 6,000 tons non-leviabile) given desirable closing stocks of 70,000 tons. In 1984/85, exports of 59,200 tons of cheese consisted of 53,400 tons of leviabile and 5,800 tons of non-leviabile cheese. The actual weight of cheese exports in 1984/85, however, was 66,600 tons (60,300 tons leviabile; 6,300 tons non-leviabile). Observing that international market conditions for cheese varied according to the region, he indicated that the export price of Australian Cheddar cheese to Japan was steady at US\$1,100/ton f.o.b. In conclusion he noted that world cheese trade was expected to increase by 3 per cent in 1985 and that cheese represented one of the few dairy products for which international demand continued to increase steadily. In reply to a question why imports of cheese from the EEC had suffered a decline in the Australian market, he could only express his personal opinion that other exporters, especially New Zealand, were able to increase their supplies due to a better variety of cheese which was more agreeable to the local taste and prices which were more competitive. He, nevertheless, undertook to provide an official explanation at a later date.

10. The representative of Japan said that in spite of unchanged consumption levels the imports of natural cheese during 1984 increased by 10.3 per cent to a level of 79,000 tons. Imports during the nine months from January to September of 1985, showed an increase of 6.3 per cent compared to their level in the corresponding period of the previous year. The increase for the whole year was projected at 6 per cent. The domestic production of cheese at 19,000 tons in 1984 was 4 per cent lower than in the previous year. In reply to a question, he observed that the EEC, New Zealand and Australia were the major exporters of cheese to the Japanese market; the EEC being the largest supplier. Average import prices ranged between US\$1,500 and US\$1,591/ton c.i.f.

11. Reviewing the general situation, the representative of New Zealand said that international cheese markets were by and large adequately supplied with variable demand conditions. As for other dairy products, the depreciation in the value of the United States dollar against major European currencies had a positive influence on cheese prices when expressed in US dollars. In the case of Cheddar cheese, however, the recent substantial increase in the EEC's restitutions on exports by approximately US\$150 per ton had for the time being removed the opportunity created by the shift in currency values to consolidate a significant forward movement in prices from their currently depressed levels. Prices in major markets, in particular the important Japanese market, were still adjusting to the changed circumstances caused by the increase in restitutions. In general, export prices for Cheddar cheese were currently in the range of US\$1,100 to US\$1,300 per ton, f.o.b., depending on quality, maturity and the intended end-use. Both production and exports of New Zealand cheeses in 1985 were expected to aggregate at the same levels as last year, and stocks were likely to remain steady.

12. The representative of Poland said that production of all types of cheeses, with fat content of 40 per cent and above, during 1985 was expected to be 126,000 tons, which was 2 to 3 per cent higher than the level in 1984. Domestic consumption being more or less at the same level, exports and imports played only a marginal role, not exceeding 1,000 tons in 1985.
13. The representative of South Africa mentioned that domestic consumption of cheese in the third quarter of 1985 had increased by 2 per cent over the corresponding period of 1984 and the uptrend appeared to have continued in the fourth quarter. Production, however, was 15 per cent lower than in the corresponding period of the previous year.
14. The delegate from Finland informed that cheese production in 1985 aggregated 76,000 tons, while domestic consumption amounted to 47,000 tons, leaving a surplus of 29,000 tons. The Finnish Government had planned a target of exports of 33,000 tons by December 1985. The average export price for Cheddar cheese recorded in the third quarter of 1985 was US\$2,709/ton, f.o.b. Projection for 1986 indicated a slight decline in production from 76,000 tons to 75,000 tons, an increase in domestic consumption by 1,000 tons and a slight drop in the surplus for exports.
15. The representative of Norway said that production of natural cheeses in the first nine months of 1985 at 51,523 tons was almost 3 per cent higher than in the corresponding period of 1984. Stocks were expected to decline in the fourth quarter of 1985, as a result of a 5 per cent increase in exports at around 13,500 tons. A moderate increase in exports of natural cheese to the Japanese market was anticipated.
16. The representative of Sweden indicated that production was expected to decline in 1985 by about 600 tons to a level of 115,000 tons, while domestic consumption was likely to edge slightly higher than in 1984. Surplus available for exports would, therefore, be lowered to 5,000 tons as against 5,800 tons in 1984. The average export price in the third quarter of 1985 was US\$1,990/per ton f.o.b.
17. The representative of Switzerland said that while production of cheeses in 1985 would remain unchanged, consumption would continue to increase and in 1986 would be 1 to 2 per cent higher than in 1985. Correspondingly, it was expected that imports and exports of cheeses would also increase in the same order. Average export price for hard types of cheeses in the third quarter of 1985 was US\$3,814/per ton f.o.b.
18. The observer of Canada expressed a cautious optimism regarding production of cheeses in his country. In 1985/86, cheese production was expected to be 3 per cent more than in the previous year, and a further 1 to 1.5 per cent increase was projected for 1986/87. Consumption of cheeses was likely to increase by 6 per cent, giving an average per capita consumption of 1.5 kgs. Demand for speciality type cheeses was growing at a faster rate. Exports were mainly to traditional buyers and no sales were envisaged to non-traditional markets.

19. The observer of OECD remarked that the United States was one of the biggest consumers of cheese, where consumption was expected to increase by 5 per cent. Domestic production of cheeses was, however, expected to increase by 8 to 9 per cent.

Adjustment of minimum prices according to exchange rate fluctuation

20. The discussion on this subject was continued at the joint meeting of the three Protocol Committees, the summary of which is given in the report of the Committee of the Protocol Regarding Milk Fat (Spec(86)1, paragraphs 33 to 44).

Report to the Council

21. Pursuant to Article VII:2(a) of the Arrangement and in accordance with Rule 22 of the Rules of Procedure, the Committee adopted its report to the Council. This report was distributed as document DPC/C/37.

Date of next session

22. The next session of the Committees will be held on 17-18 March 1986, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Certain Milk Powders will be followed by the session of the Committee of the Protocol Regarding Milk Fat and then the the Committee of the Protocol Regarding Certain Cheeses.