

GENERAL AGREEMENT ON TARIFFS AND TRADE

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES

SIXTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Certain Cheeses held its sixth session on 18 and 19 June 1981.

Adoption of the Agenda

2. The Committee adopted the following agenda:

1. Adoption of the report on the fifth session

2. Information required by the Committee:

(a) Replies to Questionnaire 3

(b) Summary tables

(c) Other information

3. (a) Review of the market situation for products covered by the Protocol

(b) Discussion concerning cheese consumption

4. Other business.

Adoption of the report on the fifth session

3. The Committee adopted the report on its fifth session with an amendment submitted by the representative of the European Economic Community. The report will be circulated as document DPC/C/8.

Information required by the Committee

(a) Replies to Questionnaire 3

4. The Committee reviewed the replies to Questionnaire 3 and requested members which had not yet communicated information for the first quarter of 1981 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 3 relating to the second quarter of 1981 should reach the secretariat not later than 15 September 1981.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/C/W/1/Rev.5) prepared in accordance with Rule 28 of the Rules of Procedure and incorporating the data provided in Table A of Questionnaire 3. The Committee took note of the document.

(c) Other information

6. The Committee was informed of the results of the meeting of experts held on 17 June 1981 to examine inter alia improvement of the questionnaires concerning the various products. It noted in particular that stress had been laid on the importance of being able to have the most precise and complete possible data concerning stocks. It also noted that in Table A, under "Total exports", mention should be made of the quantities furnished as food aid. It further noted that the exchange rate used in reporting the value of imports and exports as well as prices in international trade should be indicated. The experts had suggested that more details might be supplied concerning the various varieties of cheese, for example, by a breakdown into soft, hard, semi-hard and processed cheeses. The model of Questionnaire 3 would be circulated in the three working languages as document DPC/C/W/4.

Review of the market situation for products covered by the Protocol

Discussion concerning cheese consumption

(a) Current market situation and outlook

7. The representative of New Zealand said that over the last two years, EEC cheese export subsidies had not been reduced to the same extent as for other dairy products, so international prices had lagged somewhat. The international market, which had continued dull through 1980 and early 1981, was now beginning to firm. International export supply had tightened, particularly with the decline in exports from Australia. New Zealand Cheddar cheese prices were currently around US\$1,600 to US\$1,650 per metric ton, f.a.s.

8. The representative of the United States said that cheese production during January-April 1981 had been up 14 per cent compared with a gain of about 7 per cent for the same period of 1980. Concerning imports, he noted that cheese imports which were subject to quota, had been up by two thirds during January-April 1981. Imports of cheese not subject to quota during the first four months of 1981 had been slightly above 1980 levels.

9. The representative of the European Economic Community estimated that cheese production could increase by approximately 2.5 to 3 per cent in 1981. International trade in cheese had developed fairly satisfactorily and the Community's exports had increased substantially in 1980, amounting to approximately 350,000 tons, as against the 220,000 tons exported in 1978.

The same export opportunities were expected in 1981. In order to cope with certain temporary difficulties, the Community had decided to provide aid for private storage of Emmenthal and Gruyère. That was a temporary measure taken within the framework of actions provided for in the Community's regulations. Similar aid was also envisaged for Pecorino Romano cheese. As to prices, he observed that the prices of cheese on the world market had not risen as rapidly as those of certain other dairy products.

10. The representative of Australia said that Cheddar cheese prices were coming under pressure in the United States as a result of the increase in the stocks held by the Commodity Credit Corporation and the freezing of the dairy support prices. In addition, in Saudi Arabia, governmental approval for a January 1981 price increase for Australian processed cheese had not yet been received. This had caused a substantial reduction of Australian exports to the Gulf area in recent months. Price ranges for the export of Australian cheese to non-quota trader to trader markets were between US\$1,650 and US\$1,700 per metric ton f.o.b. Production of Cheddar and Gouda cheeses in the first quarter of 1981 had amounted to some 23,500 tons; in the same period 7,309 tons had been exported. It was estimated that production and exports of cheese in the 1980/81 season would amount to 102,000 tons and 50,000 tons respectively.

11. The representative of Switzerland said that cheese production had increased by 1 per cent in the first quarter of 1981. During the same period in 1980, cheese production had been restricted in Switzerland. Such production restrictions might again be introduced as from 10 July 1981 and might result in a production decline of approximately 5 per cent of current deliveries. With regard to consumption in 1981, he said that it could be expected to be at least at the same level as in 1980. In 1980 per capita cheese consumption had amounted to 12.5 kgs. Imports and exports of cheese between January and April 1981 had risen by 1 and 2 per cent, respectively, over the same period of 1980. He expressed concern at measures taken at the frontier in Argentina.

12. In reply to a question by the representative of the EEC concerning the date of entry into force of minimum prices applicable to the importation of certain dairy products in Argentina, the representative of Argentina said that the measures in question would very shortly be notified to the secretariat of GATT.

13. The representative of Finland said that the estimates for production, exports and consumption of cheese in 1981, which he had communicated to the Committee at the previous session, had not changed. Cheese exports in 1981 might amount to slightly more than 40,000 tons, including 10,000 tons to the United States, about 10,000 tons to the USSR and 6,000 to 7,000 tons to the EEC.

14. The representative of South Africa said that the production of cheese in the first quarter of 1981 had increased by 17 per cent as compared to the same period of 1980. It was expected that production would fall in the second quarter of 1981 despite the fact that a greater proportion of milk was being diverted to cheese manufacture. It was anticipated that production would increase over the medium term. It was estimated that demand would remain strong over the short and medium term. Stocks were likely to remain at relatively low levels.

15. The representative of Romania said that total cheese exports had risen by 17 per cent in 1980, amounting to 8,900 tons. Exports of cheese made from cow's milk had been 4,000 tons, exports of mixed cheese had amounted to 500 tons and those of other cheeses had reached 4,400 tons. During the first quarter of 1981, exports had amounted to 600 tons, production to 8,700 tons and imports to 1,100 tons.

16. The representative of Japan said that domestic cheese consumption in his country had increased considerably over the last ten years. Thus, domestic consumption, which had amounted to some 42,500 tons in the 1970 fiscal year had risen to approximately 81,400 tons in the 1980 fiscal year, i.e. an average rate of increase of 6.7 per cent annually. Imports of cheese had also risen. His country imported cheese mainly from Australia, New Zealand, the EEC and Norway. As to the outlook, it was estimated that imports would not increase significantly in the future.

17. The representative of Sweden said that in the first quarter of 1981 cheese production had increased by about 6 per cent, while consumption had declined by approximately 3 per cent. Cheese production and consumption in 1981 could be expected to show increases of 6 per cent and 4 per cent, respectively, over 1980. Imports, which had amounted to 16,300 tons in 1980, might decline to about 15,000 tons in 1981. The general rise in prices and the reduction in consumer subsidies made it difficult to forecast the future trend of cheese consumption. However, cheese was still cheap in relation to competing meat products.

18. The representative of Hungary said that cheese production had amounted to 37,900 tons in 1980, having increased by about 3 per cent over 1979. In the first quarter of 1981 production had risen to 11,100 tons as against 8,500 tons in the same quarter of the preceding year. Cheese exports in 1980 had amounted to 7,800 tons and in the first quarter of 1981 to 2,200 tons. Hungarian cheese production and exports in 1981 could be expected to maintain the 1980 level. With reference to exports, he pointed out that, at the April session of the International Dairy Products Council, his delegation had raised two problems facing Hungary's cheese exports: that of access to the United States market and that resulting from Greece's accession to the European Communities. Hungary had no access to the market of the United States because it had been excluded from the quota system. Its exports to Greece had averaged 3,000 tons annually between 1978 and 1980, whereas in 1981 Greece's quota for cheese imports from Hungary was only 200 tons.

19. Referring to the question raised by the representative of Hungary, the representative of the United States said that the United States quotas for cheese had been originally established in conformity with Article XIII of the GATT and had been based on the historical record in representative periods. Hungary had access to some of these quotas in the "other countries" category. During the Multilateral Trade Negotiations, countries supplying cheese to the United States had had an opportunity to offer concessions in return for additional cheese quotas. Hungary had been unable to offer any concessions during the period of the negotiations. His country was not in a position in the present time to alter the quotas.

20. The representative of Hungary said that his delegation had taken note of the statement made by the representative of the United States and that it would revert to this question.

21. The representative of Norway said that cheese production had risen by 2.8 per cent to 69,000 tons in 1980, while total exports had declined by 9 per cent from the level of 1979. Exports had gone mainly to the United States and Japan. In 1981, exports could be expected to continue at the 1980 level. Export prices had risen somewhat on all export markets, except for that of Japan.

(b) Discussion concerning cheese consumption

22. As agreed at the March session, the Committee proceeded to hold a thorough discussion on cheese consumption.

23. The representative of the European Economic Community said that in the Community the cheese market continued to be an expanding market. Total production, which had amounted to about 3.3 million tons, could be broken down by varieties as follows: 26 per cent for hard cheeses, 24 per cent for semi-hard cheeses, 18 per cent for soft cheeses, 21 per cent for fresh cheeses, 8 per cent for processed cheeses and 3 per cent for other cheeses. In recent years, cheese consumption had risen annually by roughly 1.5 to 2 per cent. Per capita cheese consumption currently amounted to 12.6-12.7 kgs. The present expansion of cheese consumption could be expected to continue in the coming years. There was no need for special measures, since the common organization of markets in the dairy products sector was based mainly on support for butter, liquid skimmed milk and skimmed milk powder. With regard to actions to promote cheese consumption, he mentioned that there was a policy in the Community of assisting cheese consumption by school children. He concluded by saying that for the coming years no special problems were likely to arise with regard to cheese consumption.

24. In reply to a question concerning the rate of growth of cheese consumption in the various States members of the Community, the representative of the European Economic Community said that he would try to provide information on the subject at the Committee's next session.

25. The representative of Norway said that in 1980 total domestic cheese consumption had increased by 4.3 per cent over 1979. Per capita cheese consumption was constantly rising in Norway: between 1978 and 1980 it had increased from 10.29 kgs. to 12.44 kgs. In 1980, in spite of rising prices, per capita consumption had grown by 500 grs. An agricultural agreement provided for an increase in cheese prices of 15 per cent as from June 1981 but, in spite of the increase, consumption could be expected to continue to rise in 1981.
26. The representative of the United States said that per capita consumption of American cheese increased to 9.1 lbs. (approximately 4.1 kgs.) in 1980 as compared to 8.4 lbs. (approximately 3.8 kgs.) in 1974. Per capita consumption of other cheeses had increased also in the same period from 6 lbs. (approximately 2.7 kgs.) to 8 lbs. (approximately 3.6 kgs.). Per capita consumption of all types of cheeses had followed a steady upward trend over the past decade. It was expected that per capita consumption of cheese would continue to increase in 1981. He concluded by stating that consumer demand should strengthen in 1981 since red meat prices and consumer incomes were expected to increase later this year.
27. The representative of Australia said that cheese sales in his country have been increasing for a number of years. The trend was expected to continue over the coming years. Per capita consumption, which had been 3.6 kgs. in 1968, had risen over the following ten years to 6.5 kgs. in 1978. In 1979/80, the breakdown by varieties of cheese produced in Australia was the following: 2.4 per cent of very hard cheeses, 84.7 per cent of hard and semi-hard cheeses, 5 per cent of soft cheeses and 7.9 per cent of fresh cheeses. Total imports of cheese had risen from 6,677 tons in 1969/70 to 11,943 tons in 1979/80. Among the factors responsible for the increases in Australia's cheese consumption and imports, mention could be made of the larger population and the influx of immigrants from certain European countries who were used to consuming various types of cheese.
28. The representative of New Zealand said that the New Zealand market was dominated by Cheddar cheese. More than 70 per cent of the cheese sold on the domestic market was Cheddar. Cheese consumption had expanded spectacularly, having more than doubled in eight years. Per capita consumption, which had been 4.4 kgs. in 1972/73 had risen to 8.5 kgs. in 1979/80. It had continued to rise in 1980/81. That growth could be expected to continue in the future. It was the result of a campaign to promote cheese consumption in New Zealand. He added that he had more detailed data on cheese consumption in his country which he was prepared to make available to interested delegations.
29. The Committee agreed that the discussion on cheese consumption should be continued.

Other business

Adoption of the report of the Council

30. In accordance with the terms of Article VII, paragraph 2(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committee adopted the report it must make to the Council. The report, covering the work of the sixth session, would be circulated as document DPC/C/7.

Date of the next session

31. Under the provisional calendar of meetings, the next sessions of the Committees and the Council were to be held from 21-23 September 1981 and on 24 and 25 September 1981, respectively. It was proposed that all of those sessions should be postponed by one week. Accordingly, the Committees would meet from 28 to 30 September 1981 and the Council on 1 and 2 October 1981, subject to consultations with the delegations and confirmation by the secretariat. Under the new calendar, the Committee of the Protocol Regarding Certain Cheeses would hold its next session on 28 September 1981, subject to confirmation by the secretariat.