

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
DPC/C/11
6 January 1982

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES

SEVENTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Certain Cheeses held its seventh session on 28, 29 and 30 September 1981.

Adoption of the agenda

2. The Committee adopted the following agenda:

1. Adoption of the report on the sixth 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 the minimum price for products covered by the Protocol.

5. Other business.

Adoption of the report on the sixth session

3. In reply to a question raised by the representative of the European Economic Community, the representative of Hungary said that, according to her country's statistics, Hungarian exports of cheese to Greece had averaged 3,000 tons annually between 1978 and 1980, as recorded in the draft report on the sixth session of the Committee. It seemed that there were some differences between the Hungarian and EEC's statistics. Hungary was ready to clarify that question bilaterally with the EEC. Her delegation would inform the Committee on the results of those consultations.

4. The Committee adopted the report on its sixth session with one amendment submitted by the representative of Australia. The report will be circulated as document DPC/C/9.

Information required by the Committee

(a) Replies to Questionnaire 3

5. The Committee reviewed the replies to Questionnaire 3 and requested members which had not yet communicated information for the second quarter of 1981 to do so without delay. In addition it was pointed out that the replies to Questionnaire 3 relating to the third quarter of 1981 should reach the secretariat not later than 15 December 1981.
6. The Committee was informed that Questionnaire 3 as revised by the experts at the meeting held on 17 June 1981 had been distributed as document DPC/C/W/4. It was pointed out that in the replies to the questionnaire some amendments suggested by the experts had not been taken into consideration. The experts had suggested in particular that more detail might be supplied concerning the different varieties of cheese and that it was desirable to distinguish so far as possible between soft, hard, semi-hard and processed cheeses.
7. The representatives of the European Economic Community and the United States stated that they were unable to supply information on the different varieties of cheese in the degree of detail requested in the revised questionnaire. The representative of South Africa said that his country could supply data on the production and consumption of the different varieties of cheese on an annual basis only. The Committee decided to revert to the question at its next session in order to take a decision in the light of the information supplied for the third quarter of 1981.

(b) Summary tables

8. The Committee had before it a document containing revised summary tables (DPC/C/W/1/Rev.6) prepared under Rule 28 of the Rules of Procedure and covering the information furnished in Table A of Questionnaire 3. The Committee took note of the document. The Committee also noted that the secretariat would endeavour to prepare for the next session summary tables supplemented by percentages which might be useful in reading the documents. The secretariat would also prepare summary tables giving a breakdown of exports by main destinations.

(c) Other information

9. No other information was requested.

Review of the market situation for products covered by the Protocol

10. The Committee was reminded that at its previous session it had not completed its discussion on cheese consumption and that it had been agreed that the discussion would be continued.

11. The representative of the European Economic Community reminded the Committee that at the previous session a question had been put to his delegation concerning the consumption of cheese in the various States' members of the Community. In reply to that question he informed the Committee that in 1979 per capita cheese consumption had been 13.3 kg. in the Federal Republic of Germany, 17.9 kg. in France, 14 kg. in Italy, 12.2 kg. in the Netherlands, 11 kg. in Belgium and Luxembourg, 6.4 kg. in the United Kingdom, 5.1 kg. in Ireland and 9.8 kg. in Denmark. Per capita cheese consumption in the nine-member Community as a whole had been 12.6 kg. in 1979. The 1979 figure for Greece had been 14.8 kg. Total consumption of cheese had continued to increase in 1980. The present rise in cheese consumption could be expected to continue in 1981 and subsequent years. The market for cheese seemed to be holding up and stocks were at a normal level. Cheese exports were also developing at a normal rate. He was, however, concerned about the very great increase in government stocks of cheese in the United States. He asked the representative of the United States to tell the Committee what steps could be taken with regard to those stocks of cheese.

12. The representative of the United States said that no decision had yet been taken concerning the disposal of government stocks of cheese. The authorities of his country did not propose to take any steps that might cause market disruption.

13. The representative of the European Economic Community said that in the Community absolute priority had always been given to domestic market measures despite the fact that they cost more than export refunds. If the United States wished to avoid disrupting the international market, it would have to find budgetary means of disposing of its surplus dairy products on the domestic market.

14. The representative of Australia said that cheese production had declined in the first six months of 1981. The downward trend appeared to have continued in the third quarter of the year; it was due to a decrease in milk supplies and to the use of a larger proportion of output in butter-making. Cheese production was expected to be slightly smaller for the current year than in 1980-1981. Cheese consumption and imports had been increasing in recent years and were still doing so.

15. The representative of New Zealand said that cheese production had diminished in the first half of 1981. The increase in cheese consumption, which had been spectacular in the past few years, was continuing. That trend was likely to persist. It was the outcome of a campaign to promote cheese consumption in New Zealand. In reply to a question, he stated that he would supply the secretariat with a document giving more detail on cheese consumption in his country. The secretariat will keep the document available to participants for consultation.

16. The representative of Switzerland said that there had been some increase in milk deliveries since April 1981. That increase was continuing, because fodder had been plentiful during the summer. For the current dairy year as a whole there might be some increase in deliveries despite the greater severity of quota restrictions and in particular the extension of the quota system for milk deliveries to certain mountain areas. The increase in milk deliveries had been reflected in the production of cheese, which had increased in the first six months of 1981. Measures to limit such production had been adopted in the third quarter of 1981. Cheese consumption was still increasing steadily in Switzerland. The causes of the upward trend in cheese consumption included the high prices charged for meat. The increase in cheese consumption in Switzerland was favourable to imports, which had been 7.8 per cent greater in the first eight months of 1981 than in the corresponding period of 1980. Expressed in Swiss francs, export prices had declined somewhat; that was also the case for import prices.

17. The representative of Norway said that total domestic consumption of cheese had increased in his country in 1980. However, that trend was expected to slow down in 1981. Cheese exports in 1981 could be expected to remain at the 1980 level.

18. The representative of South Africa said that cheese production had increased in the first six months of 1981 because a greater proportion of milk had been used for that purpose. The trend could be expected to continue in the coming months. Consumption of cheese was expected to decline somewhat as a result of price increases. Stocks of cheese were expected to remain at a relatively low level.

19. The representative of Japan said that cheese imports had increased to 75,000 tons in 1980. In the first six months of 1981 imports had declined. Domestic consumption had also declined over the same period because cheese

prices had risen while per capita incomes had remained unchanged. For 1981 as a whole, however, imports could be expected to remain at the 1980 level.

20. The representative of the United States said that production of all types of cheese had increased in the first six months of 1981. In the period January to July 1981, consumption of American cheese had increased only slightly (less than 1 per cent) while consumption of other types of cheese increased by about 4 per cent as compared to the corresponding period in 1980. The commercial use of dairy products (in milk equivalent basis) was likely to increase in the third quarter of 1981. That was due in part to the relative attractiveness of dairy products versus meat for consumers. He added that that might help to stimulate the consumption of cheeses and might lead to a better utilization in 1981 as opposed to 1980.

21. The representative of Hungary said that the production of milk and dairy products had increased by some 4 to 5 per cent in the first half of 1981: i.e., at a slower rate than in the corresponding period of 1980. The production and consumption of cheese had increased faster than those of other dairy products in the first six months of 1981. Cheese exports over the same period had remained virtually at the same level as in the corresponding period of 1980, and stocks had also been at the same level on 1 July 1981 as one year previously. For the year 1981 as a whole, cheese production and consumption could be expected to show an increase over 1980. However, the rate of increase for the year would fall below that for the first six months of 1981. Hungarian exports of cheese in 1981 could also be expected to remain at the 1980 level. With regard to exports, the representative of Hungary mentioned the problem of access to the United States market. Hungary had no such access because it had been excluded from the quota system. Hungary maintained its position with regard to that problem and hoped to be allotted a fair share of the total American quota.

22. The representative of Finland said that cheese production in 1981 would probably remain at the 1980 level, whereas consumption might increase. Cheese exports in 1981 might amount to some 40,000 tons as compared with 46,000 tons in 1980.

23. The observer from Canada said that domestic consumption of Cheddar cheese might increase by 3 to 3.5 per cent in 1981, and that of other cheeses by some 4 per cent, over the 1980 figures. Cheddar cheese stocks had not changed substantially in the second quarter of 1981. Stocks of cheese other than Cheddar might increase moderately by the end of 1981.

24. In reply to a question concerning the consumer subsidies applied in Sweden, the representative of Sweden said that, in the reply to Questionnaire 5 regarding information on domestic policies and trade measures, his country had mentioned that the price freeze introduced in 1973 with regard to cheese had been lifted in October 1980. At the same time the Government had decided for budgetary reasons to reduce the consumer food subsidies, also applied from 1973. As a result, subsidies for cheese had decreased and wholesale and retail prices had increased by SKr 0.50 per kg. from 1 January 1981. Further reductions would take effect on 1 October 1981 and on 1 January 1982. Wholesale and retail prices of cheese would further increase by SKr 0.50 per kg. on 1 October 1981 and by SKr 0.95 on 1 January 1982. Those price increases might affect cheese consumption in Sweden during the coming years, but so far only a slowing down of the annual increase in demand had been noted. An increase of some 4 per cent could be expected in domestic consumption of cheese in 1981, whereas in 1980 and 1979 it had increased at the rate of 5 per cent a year. Per capita cheese consumption was now 13.7 kg. as compared with 9 kg. in 1970. Imports of cheese had increased in previous years. However, it was expected that they would slow down in the coming years.

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

25. In accordance with the provisions of Article 3, paragraph 3, of the Protocol, the Committee reviewed the level of the minimum price for products covered by the Protocol. Australia submitted a proposal for a US\$200 increase in the level of the minimum price.

26. The Committee decided under Article 3, paragraph 3, of the Protocol Regarding Certain Cheeses that the level of the minimum price specified in that Article would be modified to US\$1,000 per metric ton. It was agreed that the decision would take effect at noon on 1 October 1981.

27. The Committee agreed that that decision would be duly recorded in the report and would be the subject of a procès-verbal signed by the Director-General of the CONTRACTING PARTIES to the General Agreement, certifying the entry into force of the new minimum price.

28. The representative of New Zealand thanked all the participants for their co-operation and straightforwardness in the discussions, reflecting quite a degree of agreement on the initial design and evolution of the Arrangement. His delegation considered that the decision just taken concerning the modification of the minimum prices proved that the Arrangement was working effectively.

29. The representative of the European Economic Community said that his delegation could associate itself with the New Zealand representative's statement so far as the final result was concerned. His delegation nevertheless considered that the factors which should be taken into account for the purpose of modifying the minimum prices had not been sufficiently explored. It was to be hoped that at forthcoming sessions delegations would have at their disposal as much up-to-date information as possible concerning the production, consumption, trade, stocks and, in particular, international prices of the products covered by the Protocols, so that a constructive discussion might be held on the market situation of the products concerned. His delegation had not opposed the consensus reached regarding the modification of the minimum prices. It nevertheless wished to emphasize that the minimum prices should be set at levels to which participants could conform. It also wished to voice the concern it felt at the rather high level of the stocks of skimmed milk powder, butter and cheese held by certain countries. He appealed to those participants which had difficulties with their stocks to take steps to dispose of them on the domestic market so as to avoid disrupting the international market. The Community, for its part, had already taken certain steps and might have occasion to take more in order to dispose of its surpluses on the domestic market, thus safeguarding international trade. In conclusion he called upon all countries participating in the Committee's work to see to it that in the coming year the international market for dairy products continued to develop.

30. The representative of the United States emphasized that his delegation did not believe that the minimum prices should be subject to any automatic increase. In the view of his delegation the minimum prices should be considered as distress prices.

Other business

Report to the Council

31. The Committee agreed that an oral report on the discussions at the present session would be made to the Council.

Date of the next session

32. Under the provisional calendar of meetings, the next sessions of the Committees were to be held from 16 to 18 December 1981. It was decided that the Committees would hold their eighth sessions consecutively on 16 and 17 December 1981 and if necessary 18 December 1981, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Certain Milk Powders would be held on 16 December 1981, followed by that of the Committee of the Protocol Regarding Certain Cheeses and then by that of the Committee of the Protocol Regarding Milk Fat.