

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES

SEVENTEENTH SESSION

Draft Report

Introduction

1. The Committee of the Protocol Regarding Certain Cheeses held its seventeenth session on 27 March 1984.

Adoption of the agenda

2. The Committee adopted the following agenda:
  1. Adoption of the report on the sixteenth 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. Other business.

Adoption of the report on the sixteenth session

3. The Committee adopted the report on its sixteenth session. The report will be distributed as document DPC/C/26.

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 fourth quarter of 1983 to do so without delay. In addition, it was pointed out that replies to Questionnaire 3 relating to the first quarter of 1984 should reach the secretariat not later than 15 June 1984.

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/C/W/1/Rev.16) prepared in conformity with Rule 28 of the Rules of Procedure and reproducing the information furnished in Tables A and B of Questionnaire 3 regarding cheeses. The Committee took note of document DPC/C/W/1/Rev.16.

(c) Other information

6. No other information was requested.

Review of the market situation for products covered by the Protocol

7. The representative of New Zealand pointed out that the diversion of milk away from cheese production, in response to the situation in the Japanese market, had been successful. Production of cheese in the 1983 calendar year was estimated to have been about 30,000 tons less than that in 1982. Total exports had reached 82,600 tons in the 1983 calendar year

as compared to 78,500 tons in the preceding year. Cheese prices in international trade varied considerably according to variety and market. The most important unrestricted market was in Japan where price competition had been severe over the last twelve months. Prices in Japan for Cheddar cheese had been around the US\$1,200-1,250 per ton f.o.b. level in recent months. In other markets, returns had been slightly higher and New Zealand had been able to obtain returns between US\$1,250 and US\$1,350 per ton f.o.b. largely unchanged from the last quarter of 1983.

8. The representative of Japan said that the major part of the consumption of cheese in his country was in the form of processed cheese which was produced from imported natural cheese. In recent years, production of processed cheese had stagnated reflecting stagnating demand. With regard to domestic production of natural cheese, he said that after 1981 when the international market had become tight and the importance of domestic production had been strongly recognized, domestic production had increased slightly, although the self-sufficiency ratio was still only 18 per cent. However, domestic production of natural cheese was experiencing difficulties due to the drop of international prices and the strong exchange rate of the yen. With regard to imports, he pointed out that imports of natural cheese had increased by 4.1 per cent in 1982 to 74,000 tons. However, in 1983 they had decreased to 71,700 tons, reflecting the stagnating demand of processed cheese. Import prices which had been around US\$1,900 per ton c.i.f. until early 1983 had decreased and were now at the level of around US\$1,600 per ton c.i.f. Concerning the share of exporting countries in the Japanese market, he indicated that the EEC had increased its share from 30 per cent (21,500 tons) in 1981 to 38 per cent (26,900 tons) in 1983. The share of New Zealand in 1983 had been almost unchanged as compared to 1981 (around 35 per cent) while the share of Australia had decreased.

9. The representative of Hungary indicated that cheese production had risen 3.4 per cent in 1983 to 51,700 tons. Exports had registered an

increase of approximately 25 per cent to 10,000 tons, the principal destination being countries of the Middle East, but Hungary had also exported small quantities of cheese to the United States although it did not have a quota. Export prices for cows-milk cheeses had varied between US\$1,678 and US\$1,760 per ton franco-Hungarian frontier while those for sheeps-milk cheeses had fluctuated between US\$2,676 and US\$3,000 per ton franco-Hungarian frontier.

10. The representative of Australia said that production of leviabile Cheddar-type cheese in the July-December 1983 period had been 2.4 per cent below the similar period in the 1982/83 season, and estimated 1983/84 production at 114,000 tons was below the 1982/83 production level. In response to intensified promotional activity and more stable consumer retail prices, strong growth was being experienced in the Australian leviabile cheese market. Export availability was expected to be around 64,000 tons. The international cheese market remained highly price competitive. In the Japanese market, price quotations from EEC suppliers continued to erode the level of prices that traditional suppliers such as Australia and New Zealand could achieve. Currently EEC Cheddar cheese was being quoted into the Japanese market as follows:

<u>Origin</u>	<u>Price (US\$ per ton c. and f.)</u>
West Germany	1,361-1,398
Netherlands	1,368
United Kingdom	1,372-1,400

She noted that allowing for freight of US\$175 per ton, the above-mentioned prices ranged between US\$1,186-1,225 per ton f.o.b. In June 1983 the Australian price had been US\$1,630 c.i.f. per ton. It was now US\$1,500 c.i.f. net per ton. The reduction had been necessary to match New Zealand price movements in response to the EEC price movements.

11. The representative of the EEC indicated that cheese production and consumption had continued to increase in 1983, but the rate of increase had slowed. In 1983, the EEC had imported about 88,000 tons of cheese and had exported approximately 395,000 tons, representing a slight increase of 20,000 tons over 1982. Nevertheless, the EEC's market share had declined from 49 per cent in 1981 to 41.9 per cent in 1983. The Community had helped to stabilize cheese prices and the cheese trade, mainly by concluding concerted discipline arrangements with certain European countries, such as Austria, Spain, Finland and Norway. The Community had also concluded certain arrangements with other countries in the framework of the Multilateral Trade Negotiations. Those agreements had produced results, for they had led to a stabilization of prices and trade, particularly in Europe. He stressed that concern was being caused by the cases of recourse to the provisions of Article 7:2 of the Protocol. What was more, the stocks held by the United States were reaching alarming proportions and posing problems of disposal. He appealed to participants to adopt a responsible attitude in the matter of cheese exports.

12. The representative of the United States said that as a result of steps taken to balance supply and demand, production of American-type cheese had decreased by 1 per cent in January 1984 as compared to January 1983. Uncommitted Commodity Credit Corporation stocks of cheese were likely to decline sharply in 1984 but they would remain significant. It was expected that government stocks of cheese would decline to 739 million lb. (approximately 335,000 tons) at the end of calendar year 1984 as compared to 903 million lb. (approximately 409,600 tons) at the beginning of the year. As of the week ending 16 March 1984, uncommitted stocks of cheese had been at 844.3 million lb. (approximately 383,000 tons). It was estimated that distribution of cheese under the special programme for the needy would reach some 420 million lb. (approximately 190,500 tons) in fiscal year 1984 as compared to 434 million lb. (approximately 196,500 tons) in fiscal year 1983 and to 120 million lb. (approximately 54,400 tons) in fiscal year 1982.

13. The representative of the United States furnished information on food-aid shipments of dairy products under PL 480 and Section 416. A communication on the subject would be circulated as document DPC/W/28/Add.3. With regard to cheese, he informed the Committee that for fiscal year 1984 the amount of 2,000 tons was projected under PL 480 as compared to 9,924 tons shipped in fiscal year 1983. Shipments of cheese under Section 416 were projected to reach 5,000 tons in fiscal year 1984 as compared to 3,377 tons shipped in fiscal year 1983.

14. The representative of Switzerland estimated that cheese production in the first two quarters of 1984 would remain unchanged from the corresponding period of 1983. Exports and imports, which had remained stable during the first quarter of 1984, might increase somewhat during the second quarter of 1984. Cheese consumption had shown a slight increase. Stocks were rather high but they were expected to decline in the next few months owing, in particular, to sales at reduced prices.

15. The representative of Sweden indicated that in 1983 production and consumption of cheese increased while imports and exports declined. Average export prices in 1983 had amounted to US\$1,911 per ton.

16. The representative of Norway said that in 1983 cheese production had declined by 11 per cent. Most exports, which had remained relatively stable at about 20,000 tons, had taken place under arrangements with importers, the United States being the biggest buyer. The average export price in 1983 had been above US\$1,500 per ton. With regard to exports to Japan, he said that they would continue in 1984 but because of the competitive situation on that market, prices would probably be lower than in 1983.

17. The representative of Finland estimated that 1984 cheese production would amount to about 69,000 tons, i.e. a decline of approximately 4,000 tons from 1983. Cheese consumption was tending to increase. Exports

might register a slight decline to 31,000 tons in 1984 from 32,000 tons in 1983. During the fourth quarter of 1983, average export prices were slightly higher than US\$2,000 per ton.

18. The representative of South Africa pointed out that domestic cheese production had expanded substantially in 1983 (by 7.8 per cent), setting a new record of some 34,800 tons, which slightly exceeded production for 1983. As a result, South Africa had had to draw on its stocks.

19. The Committee stressed that the market situation for dairy products remained serious. It was not very likely that world demand would increase significantly and it seemed obvious that in spite of the measures which had been taken or which were planned, available supplies would again exceed real demand in 1984. The Committee reaffirmed the importance of co-operation by all participants in international trade in those products and emphasized again that a responsible attitude on their part and a strict observance of provisions of the Arrangement were indispensable to prevent an aggravation of the market situation.

#### Other business

##### Communication from the Permanent Mission of Australia

20. On the basis of a communication from the Permanent Mission of Australia, which had been circulated under the threefold symbol DPC/P/W/17, DPC/F/W/12 and DPC/C/W/17, the Committee approved Australia's interpretation of Article 2 of the Protocol, namely that Melbourne could be used as the reference point for exports of products coming from Tasmania.

##### Communication from the New Zealand Permanent Mission (DPC/C/W/15/Add.1)

21. The Committee had before it a report on New Zealand sales of cheese effected under the provisions of Article 7:2 of the Protocol (DPC/C/W/15/Add.1).

22. The representative of New Zealand referred to the report on sales made under derogation and indicated that sales made in the period 23 November to 31 December 1983 had amounted to 270 tons. In the 1983 calendar year, total sales made under derogation had reached 2,093 tons. Between 1 January and 13 March 1984 New Zealand had effected further sales totalling 742 tons. He emphasized that the sale of downgraded or deteriorated cheese under derogation was a problem stemming from the previous production season. As a consequence of the diversion of milk away from cheese production, the excess stock problem had now largely been resolved and stocks had been significantly reduced to more manageable levels.

23. The representative of the EEC pointed out that second-quality New Zealand cheese exported at extremely low prices mainly to EEC member States was being processed in inward processing traffic and re-sold. He observed that that cheese was causing problems on the processed-cheese market and exerting heavy pressure on prices. What was more, New Zealand's notification (DPC/C/W/15/Add.1) concerned some 1,000 tons of cheese, which was a large quantity. After referring to the objectives of the Arrangement, he appealed to New Zealand to restrain its sales of cheese under cover of derogations as much as possible, and in particular cheese of clearly inferior quality.

#### Report to the Council

24. 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

25. In accordance with the preliminary calendar, the next sessions of the Committees would be held from 20 to 22 June 1984. It was decided that the Committees would hold their eighteenth sessions consecutively on 20 and 21 June 1984 and if necessary on 22 June 1984, subject to confirmation by

the secretariat. The session of the Committee of the Protocol Regarding Milk Fat would be held on 20 June 1984, followed by the session of the Committee of the Protocol Regarding Certain Milk Powders and then by the session of the Committee of the Protocol Regarding Certain Cheeses.

ANNEX/ANNEXE/ANEXO

LIST OF REPRESENTATIVES - LISTE DES REPRESENTANTS -  
LISTA DE REPRESENTANTES

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