

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

RESTRICTED
DPC/C/29
4 October 1984
Special Distribution

International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES

EIGHTEENTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Certain Cheeses held its eighteenth session on 21 June 1984.

Adoption of the agenda

2. The Committee adopted the following agenda:
 1. Adoption of the report on the seventeenth 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 seventeenth session

3. The Committee adopted the report on its seventeenth session. The report will be distributed as document DPC/C/27.

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

(b) Summary tables

5. The Committee had before it a document containing revised summary tables (DPC/C/W/1/Rev.17) 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.17.

(c) Other information

6. No other information was requested.

Review of the market situation for products covered by the Protocol

7. The representative of the United States estimated that production of cheese was likely to decline as milk production dropped. It was anticipated that production would reach 2,050,000 tons in 1984 as compared to 2,165,000 tons in 1983. It was expected that consumption would continue to increase and would reach 2,315,000 tons. A slight increase was expected in exports which might total 25,000 tons in 1984 as compared to 17,000 tons in the preceding year. Private and government stocks might decline sharply to 415,000 tons at the end of 1984 as compared to 575,000 tons at the beginning of the year. Cheese prices on international markets seemed to be stabilizing around US\$1,000 to US\$1,450 per ton f.o.b. The prospect of lower world stocks and some improvement in demand was reason to expect that cheese prices could strengthen a little in the coming months.

8. The representative of Switzerland said that after having declined by 3.9 per cent in April 1984, cheese production had risen by 2 to 3 per cent in May and June 1984. In the second quarter of the year imports and exports had been increasing slightly. Consumption was estimated to be rising at a rate of about 2 per cent. Stocks were tending to decline and prices remained unchanged.

9. The representative of Sweden said that cheese output had dropped back slightly in the first quarter of 1984. For the year as a whole, however, production could be expected to remain unchanged in relation to 1983. After having declined in the first quarter of 1984, cheese consumption seemed to have recovered in the ensuing quarter.

10. The representative of Norway said that output of cheese had remained stable in the first quarter. Consumption was developing satisfactorily. Exports were mainly within the framework of arrangements with importers. Export prices were tending to continue fairly stable.

11. The representative of Finland estimated that cheese production would decline in 1984 to 69,000 tons as against 73,000 tons in 1983. Consumption was expected to increase to 42,000 tons in 1984 as against 41,000 tons in the preceding year.

12. The representative of New Zealand pointed out that due to competition in world markets for cheese, his country's production had been reduced in 1983. However, because of the upsurge in milk production in the first

quarter of 1984 some increase in cheese production had to be scheduled. It was estimated that in calendar year 1984, production might show a slight increase as compared to 1983. Exports in the first quarter of 1984 had increased and reached 23,900 tons. A very active sales promotion campaign had been undertaken in order to further stimulate domestic consumption of cheese. With regard to the international situation, he pointed out that no significant changes had occurred in market conditions or prices since the previous session of the Committee in March 1984. The cheese market in Japan continued to be subject to strong competition, with f.o.b. returns for cheese varying between US\$1,150 to US\$1,200 per ton according to type.

13. The representative of Japan said that from the second half of 1983, demand for cheese seemed to have recovered and imports were increasing. In the period January to April 1984, imports of cheese had increased by 19 per cent as compared to the corresponding period of 1983. Import prices were weak at the level of around US\$1,600 per ton c.i.f. In reply to a question, he indicated that average import prices of cheese in the first quarter of 1984 had been at around US\$1,634 per ton c.i.f. for cheeses imported from the EEC and in the vicinity of US\$1,482 per ton c.i.f. for cheeses originating in New Zealand.

14. The representative of Bulgaria said that his country was a net exporter of cheese. In 1983, exports had reached 11,700 tons, equivalent to 8.8 per cent of production (133,000 tons). In the first quarter of 1984 exports had increased to 1,600 tons, the principal destinations being Iran and Saudi Arabia. Consumption had levelled off in the first quarter of 1984 but was expected to show an increase during the second quarter. In the first quarter of 1984, average export prices, ex factory, had reached US\$2,500 per ton for ewe's milk cheese, US\$2,950 for Kashkaval and US\$1,350 per ton for cow's milk cheese. Those prices were well above the minimum price set by the Protocol.

15. The representative of Australia said that production of Cheddar and Cheddar type cheese in the July 1983-March 1984 period had been marginally below the corresponding period in 1982/83, and estimated 1983/84 production at 115,000 tons was similarly slightly below the 1982/83 production level. In response to intensified promotional activity and relatively stable prices, strong growth was now being experienced in the Australian Cheddar cheese market. Export availability was expected to be around 57,000 tons although higher than desirable closing stocks were expected as actual exports were likely to be below availability. She noted that some stability was now being achieved in the Japanese cheese market following twelve months of declining prices due to EEC pricing activity. However, Cheddar pricing levels from EEC sources at around US\$1,360 per ton c.i.f. remained well below those achievable in the Japanese market.

16. The representative of Argentina said that cheese output seemed to have remained stable in 1983 in relation to 1982. Exports had declined slightly, the principal destinations being traditionally other Latin American countries. Consumption was also believed to have declined slightly in 1983.

17. The representative of the EEC indicated that cheese production would probably show an increase by 1.8 per cent in 1984 in relation to 1983, and a corresponding rise in consumption was likely. According to projections, production and consumption could increase by 1.3 and 1.5 per cent respectively in 1985 in relation to 1984. Exports had risen by about 5 per cent in 1983 to a level in the vicinity of 400,000 tons, the principal destinations being Iran, the United States and Switzerland. Imports had likewise increased in 1983 to about 100,000 tons, the principal destinations being Switzerland, Austria and New Zealand. Apart from the situation on the Cheddar cheese market which was experiencing a serious crisis, the Community could consider itself satisfied with the trend in internal consumption and in its trade with third countries. In view of the fact that the market situation for Cheddar cheese was not likely to improve in the short term, the Community planned to continue to export Cheddar cheese to Japan. Community operators were able to export Cheddar cheese at prices in a range between US\$1,260 and US\$1,300 per ton f.o.b.

18. The observer for Canada said that the situation in the cheese market in 1984 was very similar to the previous year's. Nevertheless, consumption was expected to increase slightly in 1984.

19. The Committee noted that competition remained keen in certain markets and recalled the need for close co-operation among participants.

Other business

Communications from the Permanent Mission of New Zealand

20. The Committee had before it a report on sales of cheese by New Zealand under the provisions of Article 7:2 of the Protocol. The report was subsequently distributed as document DPC/C/W/15/Add.2.

21. The representative of New Zealand pointed out that the market in the EEC for natural cheese imported for processing and re-export had been closed by the end of the second quarter of 1984 and with that action his country had lost the major outlet for its aged, redundant and downgraded cheese. Accordingly, sales under derogation from the minimum price applicable under the Protocol had been expanded in the first five months of 1984. Referring to the record of sales submitted to the Committee, he noted that sales in the period 1 January-23 May 1984 had totalled some 1,920 tons. In reply to a question, he said that the excess stock problem had now largely been resolved and stocks had been significantly reduced to more manageable levels. He hoped that in the future, New Zealand would not need to have recourse to the provisions of Article 7:2 of the Protocol.

Adoption of report to the Council

22. In accordance with Article VII:2(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committee adopted its report to the Council. That report, on the work at the Committee's eighteenth session, will be distributed as document DPC/C/28.

Date of next session

23. In accordance with the preliminary calendar, it has been decided that the Committees will hold their nineteenth sessions consecutively on 24, 25 and 26 September 1984, subject to confirmation by the secretariat. The session of the Committee of the Protocol Regarding Certain Cheeses will be followed by the session of the Committee of the Protocol Regarding Milk Fat and then by the session of the Committee of the Protocol Regarding Certain Milk Powders.