

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Multilateral Trade Negotiations

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Group "Agriculture"

Sub-Group on Dairy Products

PROPOSAL BY AUSTRALIA FOR THE PROVISIONAL DRAFT COMPREHENSIVE ARRANGEMENT REGARDING THE DAIRY PRODUCTS SECTOR

Text of Draft Protocol on Cheese

Annex III - Protocol Regarding Cheese

Part One

Article I - Product coverage

1. This Protocol applies to:

All cheese as defined in the Customs Co-operation Council Nomenclature No. 04.04.

Part Two

Article II - Pilot product

/First alternative

1. For purposes of this Protocol, the minimum export price established under Article III shall relate to the standard reference cheese described below. The minimum price for the standard reference cheese shall provide the basis for determining, in accordance with Article III:4, minimum price equivalents applicable to the cheese groups described below.

Standard reference cheese

Designation	Emmenthaler	or	Cheddar
Moisture content	40 per cent by weight		37 per cent by weight
Milk fat content	27 per cent by weight		35 per cent by weight
Solids non-fat content (SNF)	33 per cent by weight		28 per cent by weight

Cheese groups

Note: Several methods of classifying cheese into groups could be used. A suggested grouping is set out below, it being understood that the final composition of each grouping would be determined by negotiation.

Group 1: Very hard/hard grating
(includes for example Parmesan, Romano)

Compositional range of group:

Moisture	28-38 per cent
Fat	21-30 per cent
SNF	36-47 per cent

Weighted average composition for group (estimate):

Moisture	34 per cent
Fat	25 per cent
SNF	41 per cent

Group 2: Hard pressed cheeses.

This term is chosen to make clear the distinction between cheese varieties which are hooped and subjected to mechanical pressure to consolidate the loaf, as against those formed by moulding and settling under gravity (includes for example Cheddar, Colby, Emmenthaler, Gouda, Edam).

Compositional range of group:

Moisture	35-45 per cent
Fat	23-34 per cent
SNF	26-38 per cent

Weighted average composition for group (estimate):

Moisture	39 per cent
Fat	29 per cent
SNF	32 per cent

Group 3: Semi-soft cheese (includes for example Blue Vein, Feta, Mozzarella, Brick, St. Paulin).

Compositional range of group:

Moisture	42-60 per cent
Fat	18-32 per cent
SNF	18-32 per cent

Weighted average composition for group (estimate):

Moisture	50 per cent
Fat	26 per cent
SNF	24 per cent

Group 4: Soft and processed cheese. Excludes Cottage, Quark and other cultured milk products. These products are not traded significantly internationally.

- (1) Soft (includes for example Cream Cheese, Neufchatel, Camembert, Brie)

Compositional range of group:

Moisture	50-65 per cent
Fat	16-35 per cent
SNF	10-27 per cent

Weighted average composition for group (estimate):

Moisture	52 per cent
Fat	24 per cent
SNF	24 per cent

- (2) Processed cheese and cheese spreads.

Compositional range of group:

Moisture	42-65 per cent
Fat	16-38 per cent
SNF	12-32 per cent

Weighted average composition for group (estimate):

Moisture	45 per cent
Fat	25 per cent
SNF	30 per cent

Packaging: In packages normally used in the trade of a net content by weight of not less than 5 kgs.

Terms of sale: F.o.b. from the exporting country or for a land-locked country, f.o.b. from one maritime port of its choice to be designated at the time it signifies its acceptance: /or for the countries to be listed in a note, f.o.b. from one maritime port of their choice to be designated at the time they signify their acceptance:/ or free-at-frontier exporting country. Prompt payment against documents /on first presentation/.

/Second alternative

1. For the purposes of this Protocol, the minimum export price under Article III shall be established for the product of the following description.

Designation: Cheese and curd as defined in the Customs Co-operation Council Nomenclature No. 04.04.

- Packaging: In packages normally used in the trade of a net content by weight of not less than 5 kgs.
- Terms of sale: F.o.b. from the exporting country or for a land-locked country, f.o.b. from one maritime port of its choice to be designated at the time it signifies its acceptance: or for the countries to be listed in a note, f.o.b. from one maritime port of their choice to be designated at the time they signify their acceptance; or free-at-frontier exporting country. Prompt payment against documents on first presentation.

Article III - Minimum prices

Level and observance of minimum price

First alternative

1. The minimum export price for the Standard Reference Cheese specified in Article II at the date of entry into force of this Protocol is fixed at US\$80 per 100 kgs.

Second alternative

1. The minimum export price for the cheese specified in Article II (second alternative) at the date of entry into force of this Protocol is fixed at US\$80 per 100 kgs.
2. Participants undertake to take the steps necessary to ensure that the export price(s) of the product(s) defined in Article II of this Protocol shall not be less than the minimum price applicable under the Protocol. If cheese is exported in the form of goods in which it has been incorporated, the participants shall take the steps necessary to avoid the circumvention of the price provisions of this Protocol.
3. The level of the minimum export price specified in this Article can be modified by the Committee established in terms of Article VIII:2(a) of the Arrangement taking into account, on the one hand, the result of the operation of the Protocol, and, on the other hand, the evolution of the situation of the international market.

Adjustment of minimum price

/Applicable only in respect of first alternative of Article II.

4. The minimum price equivalents applicable to the cheese groups referred to in Article II shall be calculated from the minimum export price established for the standard reference cheese described in Article II, according to the following provisions:

- (a) Where the percentage minimum fat content of a cheese group is greater or less than the minimum .. per cent fat content of the standard reference cheese, the price adjustment for fat content shall be US\$/10//tonne for every 1 per cent variation in the group average fat content from the .. per cent fat standard.
- (b) Where the minimum percentage solids-not-fat content of a cheese group is greater or less than the minimum .. per cent solids-not-fat content of the standard reference cheese, the price adjustment for solids-not-fat content shall be US\$/10.80//tonne for every 1 per cent variation in the group average solids-not-fat content from the .. per cent solids-not-fat standard.
- (c) The resulting minimum price equivalent applicable to each cheese group in question is US\$/800//tonne increased or decreased, as appropriate, by the two price adjustments referred to above./

4/5 If the product actually exported differs from the pilot product in respect of the packaging or terms of sale, the minimum prices shall be adjusted so as to protect the minimum price established in this Protocol for the product specified in Article II of this Protocol according to the following:

Packaging: If the products are offered otherwise than in packages normally used in the trade of a net content by weight of not less than /5 kgs./ the application of the minimum prices shall be adjusted so as to reflect the difference in the cost of packaging from the type of package specified above.

Terms of sale: If sold on terms other than f.o.b. from the exporting country or, for a land-locked country, f.o.b. from the maritime port of its choice, /or for the countries to be listed in a note, f.o.b. from the maritime port of their choice/ or free-at-frontier exporting country, the minimum price shall be calculated on the basis of the minimum

f.o.b. prices specified in paragraph 2 above plus the real and justified costs of the services provided: if the terms of the sale include credit, this shall be charged for at the prevailing commercial rate.

Note: A need may arise to dispose of aged and inferior quality cheese at prices below the minimum price established by the Protocol. Such cheese would invariably be suitable only for processing and to the extent that derogations were necessary to cope with the problem, these could be granted by the Protocol Committee.

Derogations could apply to both natural cheese and processed cheese, under defined control procedures.

An appropriate paragraph (or paragraphs) could be drafted.7

Special conditions of sales

5/6 Participants undertake within the limit of their institutional possibilities to ensure that practices such as those referred to in Article IV:1 of this Protocol do not have the effect of directly or indirectly bringing the export prices of the products subject to the minimum price provisions below the agreed minimum price.

Field of application

6/7 For each participant, this Protocol is applicable to exports of the products specified in Article I of this Protocol manufactured or repacked inside its own customs territory.

Transactions other than normal commercial transactions

7/8 The provisions of paragraphs 1 to 7 of this Article shall not be regarded as applying to donated exports to developing countries or to exports destined for relief purposes or welfare purposes in developing countries. Such exports, and other transactions which are not normal commercial transactions, shall be effected in accordance with the FAO principles of surplus disposal and consultative obligations.7

Article IV - Provision of information

1. In cases where prices in international trade of the products covered by Article I of this Protocol are approaching the minimum prices mentioned in paragraph 2 of Article III of this Protocol, without prejudice to the provisions of Article III of the Arrangement, participants exporting these

products shall notify to the Committee all the relevant elements for evaluating their own market situation and, in particular, credit or loan practices, twinning with other products, barter or three-sided transactions, refunds or rebates and exclusivity contracts, so that the Committee can make a verification.

2. Exporter participants undertake to provide information at quarterly intervals, concerning costs of packaging of products covered by this Protocol to the Protocol Committee. Importer participants undertake to provide information at quarterly intervals to the Protocol Committee concerning the volume of the various packaging sizes of imports of products covered by this Protocol.

Note: Subsequent Articles of the Protocol would be almost identical with Articles V, VI and VIII under discussion in the Milk Powders and Milk Fat Protocols.