

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED
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International Dairy Arrangement

COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES

EIGHTH SESSION

Report

Introduction

1. The Committee of the Protocol Regarding Certain Cheeses held its eighth session on 16 and 17 December 1981.

Adoption of the agenda

2. The Committee adopted the following agenda:
 1. Adoption of the report on the seventh 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. Adoption of report to the Council
 5. Other business.

Adoption of the report on the seventh session

3. The Committee adopted the report on its seventh session with the amendments submitted by the representatives of Australia, Switzerland and Hungary. The report will be circulated as document DPC/C/11.

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 third quarter of 1981 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 3 relating to the fourth quarter of 1981 should reach the secretariat not later than 15 March 1982.

5. It had been pointed out at the Committee's seventh session that some amendments suggested by the experts had not been taken into consideration in replies to Questionnaire 3 as subsequently revised (DPC/C/W/4). Some representatives had stated that they were unable to supply information on the different varieties of cheeses in the degree of detail requested in the revised Questionnaire. Other participants had been able to supply data on the different varieties of cheese on an annual basis only. The Committee had decided to revert to the matter at the current session in order to take a decision in the light of information supplied for the third quarter of 1981.

6. The Committee noted that none of the participants which had communicated information for the third quarter of 1981 had furnished any additional details regarding the different varieties of cheese. The representative of Romania said that his country could communicate such additional details on an annual basis only. The Committee invited participants to furnish, as far as possible, information on the different varieties of cheese, whether on a quarterly or an annual basis.

(b) Summary tables

7. The Committee had before it a document containing revised summary tables (DPC/C/W/1/Rev.7) prepared under Rule 28 of the Rules of Procedure and covering the information furnished in Table A of Questionnaire 3 regarding cheeses. That document also contained a table showing exports of cheese by destinations (for the years 1979 and 1980). Reference was made to the difficulties encountered in preparing tables showing exports by region, in particular the fact that the data furnished by certain participants mentioned only one or two countries of destination or gave only a breakdown by regions. For the data in the table to be more detailed, it would be desirable to have a breakdown of exports by countries of destination, reported in metric tons if possible. The Committee considered that more time was needed to examine the tables which could be included in the status report. It decided to revert to the matter at its next session, and took note of document DPC/C/W/1/Rev.7.

(c) Other information

8. At the Council session on 1 October 1981, it had been suggested that the Committees might give special attention to the question of food aid at their first sessions in 1982. Participants were requested to give detailed replies to the sections of the Questionnaires regarding food aid operations, so as to enable the secretariat to prepare more comprehensive tables and furnish a firmer and broader basis for the discussions that the Council was required to carry out under the Arrangement, in particular regarding programmes envisaged.

9. The Committee decided to give special attention to the question of food aid at its next session.

Review of the market situation for products covered by the Protocol

10. The representative of Argentina made a general statement regarding his country's dairy policy. In general, with respect to the domestic market for dairy products, the Argentine Government had taken no measures implying any price regulation, establishment of equalization funds, or support prices. The fixing of producer prices for milk under an agreement freely concluded between the processing and production sectors had been one of the main factors that had put an end to the crisis which those two sectors had experienced in the latter months of 1980 and the early months of 1981. Given the positive results of periodic meetings over the past six months between all entities representative of the producing and processing sectors at national level, the Argentine Ministry of Agriculture and Livestock had decided to place on a permanent basis a consultative body comprising representatives of those entities; that body, together with the Federal Dairy Committee, made up of official representatives of the provinces interested in the dairy industry, would constitute a consultative machinery for the various questions regarding the system as a whole. Those questions could be grouped under the following main headings: matters regarding national dairy policy, technical aspects of production and efficiency thereof, and matters regarding legislation governing the system as a whole. With respect to the last of these, draft legislation was being prepared to unify and harmonize various provisions so as to clarify them, in particular as regards their implementation, while respecting provincial and municipal autonomies.

11. The representative of the United States said that uncommitted inventories of cheese held by the Commodity Credit Corporation (CCC) and commercial stocks at the end of the third quarter of 1981 had totalled 445,000 tons compared with 308,000 tons on 30 September 1980. CCC's net purchases of cheese from 1 October 1980 through 30 September 1981 had been 532,100 million lb. (approximately 241,000 metric tons) as compared to 335,600 million lb. (approximately 152,000 metric tons) purchased in the same period a year earlier. With regard to the general market situation for cheese the representative of the United States said that world cheese output (excluding cottage cheese) in 1981 was expected to be up about 2 per cent, compared with a 4 per cent gain posted in 1980 over 1979. The 1982 outlook was for only about a 1 per cent rise in cheese manufacture. With 1981 world-wide cheese use up but less than output, year-ending stocks were expected to be up more than a tenth. Like butter and skimmed milk powder, the United States CCC inventories at year end (which would be up sharply) would likely reflect most of the world stock increase.

12. The representative of Australia said that at the end of the third quarter of 1981, cheese stocks had totalled 53,000 tons. In that same quarter, production, imports and exports of cheese had reached 35,300 tons, 3,500 tons and 10,700 tons respectively. The Australian Dairy Corporation had revised its estimates made in September 1981 in the light of the diversion of milk by manufacturers from butter and whole milk powder production to cheese production to estimate that cheese production in the 1981/82 season would reach a level of 142,000 tons, some 5 per cent above the level of 1980/81. Export prices in the third quarter of 1981 averaged US\$1,740 per metric ton f.o.b.

13. The representative of Austria said that cheese imports in the first three quarters of 1981 had totalled approximately 7,000 tons, i.e. 8 per cent more than in the corresponding period of 1980. Cheese exports in the same period had been up about 3 per cent to around 31,000 tons, while production had been in the vicinity of 59,000 tons as compared with 56,000 tons in the corresponding period of 1980. Total domestic consumption had increased by 0.7 per cent in the nine first months of 1981 in relation to the corresponding period of the preceding year. Stocks had totalled 8,000 tons on 30 September 1981, i.e. 1,000 tons more than one year earlier. Export prices had increased slightly in the third quarter of 1981.

14. The representative of Bulgaria said that following an increase in ewe's milk production, output of cheese in the three first quarters of 1981 had exceeded total production in 1980 by approximately 18,000 tons. For the year 1981 as a whole, cheese production was expected to be about 40 per cent above the level for 1980. Domestic consumption of cheese might also show an increase in 1981. His country was encountering certain difficulties in regard to cheese exports; deliveries to certain nearby markets considered traditional were tending to decline. Export prices of cottage cheese made from ewe's milk were at the fairly high level of US\$2,400 per ton.

15. The representative of Hungary said that cheese production in the three first quarters of 1981 had been about 25 per cent above the level for the corresponding period of 1980. For the year 1981 as a whole, output would therefore be above the preceding year's level. In parallel with production, domestic consumption of cheese had risen, while for 1981 as a whole exports were expected to be at the same level as in 1980. There had been no significant changes in cheese stocks. No great variation was expected in cheese exports in 1982 in relation to 1981, while production and consumption might increase slightly in 1982. With respect to exports, the Hungarian representative recalled the problem of access to the United States market. Despite representations made by his country in several GATT bodies, Hungary was still without access to the United States market, because it had been excluded from the quota system.

16. The representative of Japan said that after having dropped back in the two first quarters of 1981, domestic consumption of cheese had reverted to a normal level in the third quarter of the year. For the ten first months of 1981 imports, at around 60,000 tons, had been virtually equivalent to those in the corresponding period of 1980. The principal origins of those imports had been Australia, New Zealand and the EEC, with virtually no change in the respective shares of those suppliers. For 1981 as a whole, imports were expected to be at the same level as in 1980.

17. The representative of New Zealand said that the international Cheddar cheese market was currently remaining firm. New Zealand's offer prices for cheese had firmed at and even above US\$1,700 per metric ton. The present market situation for cheese was not unfavourable. He was, however, concerned about the very great increase in stocks of cheese in the United States. The situation in regard to United States production and stocks of cheese could in the medium term affect the current firmness of the market, all the more so because of continuing uncertainty regarding that country's intentions in respect of surplus cheese disposal.

18. The representative of Switzerland recalled that at the Committee's last session his delegation had reported measures to limit cheese production which had been adopted in the third quarter of 1981. As a result, production had levelled off somewhat in the second half of 1981. Nevertheless, taking into account the production increase in the first half of the year, for 1981 as a whole production of cheese could be expected to be up by about 2 to 3 per cent. Cheese consumption had continued to rise, in particular because of high meat prices. The situation in Switzerland's cheese market was satisfactory. Imports were rising and for 1981 as a whole could be 5 per cent or more above the 1980 level, to reach a record of approximately 21,000 tons. Cheese exports could also be about 5 per cent higher in 1981 in relation to 1980. At the end of November 1981 stocks had totalled 18,700 tons. With effect from 1 January 1982 wholesale and retail prices of cheese were to be raised by Sw F 40 and approximately Sw F 50 respectively per 100 kg. following the reduction in subsidies granted by the Confederation.

19. The representative of Sweden said that milk production might show an increase by about 0.8 per cent in 1981 as against 2.2 per cent in 1980. In 1982, the production growth rate was expected to be the same as in 1980. Following a reduction in cheese subsidies, wholesale and retail prices had been raised on 1 January 1981 and 1 October 1981 and a further increase would take effect on 1 January 1982. Those price increases could affect Sweden's cheese consumption level in the coming years, but to date only a slowdown in the annual demand increase had been recorded. Consumption might reach 118,000 tons in 1981, representing an increase by about 3 per cent as against a 5 per cent increase in 1980 and 1979. Following increased demand for cheese, production could show a 7 per cent rise in 1981 to reach some 108,000 tons. Production and consumption were forecast as continuing at probably the same level in 1982 as in the preceding year. Cheese imports, which had been tending upward in recent years, might drop back to a normal level in 1982.

20. The representative of Norway said that in the first quarter of 1981 milk production had increased by 4.7 per cent. Measures taken at the end of March 1981 to slow down milk output had proved effective so that production

for 1981 as a whole was expected to be only 1 to 1.5 per cent above the preceding year's level. Further measures were to be introduced as from 1 January 1982 in order to stabilize milk production around the level reached in 1980. Cheese production in 1981 could be 1 per cent above the preceding year's level. Because of increased output in late 1980 and early 1981, additional exports had been effected. In that context, 1,900 tons had been exported to Poland in the first six months of 1981. Apart from those exports, regular deliveries of cheese were expected to be at the same level in 1981 as in 1980, and were forecast as remaining stable in 1982. Cheese consumption was expected to be stable or slightly up in 1981, and stability was expected to continue in 1982.

21. The representative of Finland said that cheese production in 1981 was expected to continue at the same level as in the preceding year, i.e. around 73,000 tons. Total domestic consumption was estimated at 36,000 tons in 1981 as against 34,200 tons in 1980. Cheese exports in 1981 were estimated as dropping back to 40,000 tons, the principal export markets being the United States, the European Economic Community and the USSR. Production in 1982 was forecast as being equivalent to or slightly lower than in 1981. A continuing slight increase in domestic consumption was expected for 1982, to around 38,000 tons. Exports might drop back slightly, by about 5 per cent, in 1982 from the preceding year's level.

22. The representative of South Africa said that cheese production, which had been rising in the first two quarters of 1981, had continued to develop in the third quarter of the year. In that latter period, cheese consumption had declined substantially in relation to the preceding quarter, following an increase by about 10 per cent in prices. Cheese stocks at the end of 1981 might show a slight increase.

23. The representative of Romania said that for 1981 as a whole a decline was expected in domestic consumption and exports of cheese, with an increase by about 3,000 tons in imports. Over the period 1982-1985 a continuing increase could be expected in production of milk and dairy products.

24. The representative of the European Economic Community said that the cheese market was showing an increase in production each year. For 1981, the growth rate could reach 4 per cent in relation to 1980, when output had been up by about 3.3 to 3.5 per cent. Domestic consumption of cheese was expected to be up 2 per cent in 1981, as against an increase by 3.5 per cent in 1980. In the eight first months of 1981, exports had been 20 per cent above the level for the corresponding period of 1980. Stocks were negligible, remaining in the vicinity of 50,000 to 55,000 tons.

25. The observer of Canada said that Cheddar cheese production in 1981 was expected to be around 99,400 tons, down 6 per cent from 1980. Cheddar exports would probably be around 3,500 tons, up from 2,400 tons in 1980. Domestic disappearance of Cheddar was estimated at 101,000 tons, a rise of 6.5 per cent from 1980. Production of whole milk cheese other than Cheddar (variety cheese) was expected to reach a new high of 74,600 tons in 1981, an increase of 5 per cent. Domestic disappearance was estimated to increase also by about 5 per cent. Stocks on 1 January 1982 were estimated to be around 13,000 tons, which was in line with stock requirements. Domestic disappearance of Cheddar cheese in 1982 was forecast to increase 4 to 5 per cent from 1981. Carry-over stocks of Cheddar at the end of 1982 were expected to be at manageable levels. Domestic consumption of whole milk cheese other than Cheddar was also expected to increase 4 to 5 per cent during 1982 from 1981 levels. World stock levels of cheese at the end of 1981 were expected to be up 11 per cent from the end of 1980, a similar rise was expected in 1982. The increase in cheese stocks at the end of 1981 and the projected increase for 1982 could be attributed largely to the rapid expansion of United States stock levels.

Adoption of report to the Council

26. In pursuance of Article VII:2(a) of the Arrangement and under Rule 22 of the Rules of Procedure, the Committee adopted its report to the Council on the work of its eighth session; the report will be distributed as document DPC/C/10.

Other business

Dates of coming sessions

27. At the fifth session of the Council, it had been proposed that, as for the 1981 sessions, preliminary dates should be set for the 1982 sessions and confirmed at the December 1981 sessions of the Committees. The following dates were agreed upon for 1982:

29-31 March 1982,
- the Council to meet on 1 and 2 April 1982 -
21-23 June 1982,
27-29 September,
- the Council to meet on 30 September and 1 October 1982 -
15-17 December 1982.

It was agreed that, if their work permitted, the Committees could hold their sessions over a two-day rather than a three-day period. For the March sessions (29-31 March 1982), the session of the Committee of the Protocol Regarding Certain Cheeses would follow that of the Committee of the Protocol Regarding Certain Milk Powders. The opening date of the latter session (29 or 30 March 1982) is to be confirmed later by the secretariat after consultation with delegations.