

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED  
DPC/C/15  
4 October 1982

---

## International Dairy Arrangement

### COMMITTEE OF THE PROTOCOL REGARDING CERTAIN CHEESES

#### TENTH SESSION

##### Report

###### Introduction

1. The Committee of the Protocol Regarding Certain Cheeses held its tenth session on 21 June 1982.

###### Adoption of the agenda

2. The Committee adopted the following agenda:
  1. Adoption of the report on the ninth session
  2. Information required by the Committee:
    - (a) Replies to Questionnaire 3
    - (b) Summary tables
    - (c) Other information
  3. (a) Review of the market situation for products covered by the Protocol
  - (b) Discussion on consumption
  4. Adoption of the report to the Council
  5. Other business.
3. Opening the session, the Chairman welcomed Poland as a new signatory of the International Dairy Arrangement.

###### Adoption of the report on the ninth session

4. The Committee adopted the report on its ninth session, which will be circulated as document DPC/C/14.

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 in respect of the first quarter of 1982 to do so without delay. In addition, it was pointed out that the replies to Questionnaire 3 relating to the second quarter of 1982 should reach the secretariat not later than 15 September 1982.

(b) Summary tables

6. The Committee had before it a document containing revised summary tables (DPC/C/W/1/Rev.9) 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 cheese exports by destination (years 1979 and 1980). Regarding the summary tables, it was recalled that in cases where the figures were very limited it would be desirable for participants to furnish at least two meaningful figures, so that the percentages shown in the tables and the data in the table by destination could be as accurate as possible. The Committee also had before it a summary table on consumption of cheeses in the countries or group of countries replying to the Questionnaire (DPC/C/W/6), prepared in response to a request made by participants at the March 1982 session. It was noted that the data in that table related to apparent consumption; in certain cases, therefore, the figures indicated might not be really meaningful and give a very exact idea of the trend in consumption. It would be desirable for participants to furnish more detailed data, in particular data on real consumption. The Committee agreed that the table showing consumption would be included regularly in the summary tables. The Committee took note of documents DPC/C/W/1/Rev.9 and DPC/C/W/6.

(c) Other information

7. No other information was requested.

Review of the market situation for products covered by the Protocol

Discussion on consumption

(a) Current market situation and outlook

8. The representative of the United States said that milk production during the first quarter of 1982 had been nearly 2 per cent above year earlier levels. Excellent grain harvests in the fall of 1981 had created a low price situation for concentrate feeds, which had encouraged continued heavy concentrate feeding despite relatively stable prices for milk. Spring pasture conditions in major dairy regions were generally good with ample supplies of soil moisture. Based on current conditions, milk production in 1982 was currently being projected to increase around 2 per cent compared to 1981. Expected higher per cow yields and a larger dairy herd would both contribute to the additional milk production. With larger production and

declining fluid use, the increased production would be used for manufacturing dairy products, particularly cheese, butter and skimmed milk powder. With regard to cheese, he estimated that the production in 1982 might increase by about 3 per cent. Domestic consumption was projected to rise some 7 per cent for 1982. Even with the rise in usage, some additional accumulation in government inventories was anticipated by the end of 1982 as output exceeded consumption. Exports of cheese from the United States were minimal since domestic prices were approximately double world price levels. Also, demand for American-type cheeses was primarily limited to the English speaking countries.

9. The representative of the United States recalled the statement made by her delegation at the previous session of the Committee on the problem of dairy surplus in the United States. It had been pointed out that the long-term problem in the dairy sector was to bring back supply and demand into balance and that the short-term problem was to find means of disposing of surplus stocks. The primary emphasis in the programme of the Secretary of Agriculture was on the long-term problem. The United States Administration had proposed new legislation the key provision thereof would be to give the Secretary of Agriculture flexibility in setting the support price. With regard to the short-term problem, she recalled that in order to dispose of stocks, a programme had been undertaken for the distribution of cheese to low income families. It was estimated that this programme would amount to 100,000 tons in 1982. Additional administrative measures would be taken to make it easier for schools and other institutions to use stocks held by the Commodity Credit Corporation (CCC). The Secretary of Agriculture had proposed new legislative authority that would facilitate donations for aid purposes, by allowing for direct transfers of stocks held by the CCC to voluntary agencies, without having to go through purchasing programmes. With regard to commercial exports, she said that this subject had been discussed and was still under discussion. She stressed that the United States had tried so far to behave responsibly with regard to commercial exports, and that it would continue to do so in order not to disturb the world market.

10. The representative of the EEC underlined the concern caused by the increasingly high level of United States stocks of dairy products. With respect to exports already carried out, the United States had adopted a responsible policy and it was to be hoped that that country would continue to endeavour to avoid any disruption of the international market. With respect to cheese, it was a very perishable product and the world market was very sensitive. He asked the United States delegation for information on the measures being studied for disposal of surplus stocks and for a breakdown of information regarding government stocks according to the type, packaging and date of entry into stock of the product.

11. In reply, the representative of the United States said that cheese stocks held by the Commodity Credit Corporation, which had been at the level of 338,792 tons on 18 June 1982, were made up as follows:

| <u>Type of cheese</u>       | <u>Quantity</u> | <u>Average age</u> |
|-----------------------------|-----------------|--------------------|
| Cheddar (40 pound blocks)   | 77,474 tons     | 412 days           |
| Cheddar (500 pound barrels) | 159,485 tons    | 412 days           |
| Processed (5 pound loaves)  | 101,833 tons    | 619 days           |

With regard to commercial exports, she noted that the world market for the types of cheese held by the CCC was not large and she reiterated that her country intended to behave responsibly without disturbing the world market. She pointed out that world prices for cheese were not so easily fixed or determined as they were for butter or skimmed milk powder. She added that possibilities to effect commercial sales were under consideration. Her country had not been involved to a great extent in the international trade of cheese over almost a decade and her authorities would be glad to exchange ideas with trading partners having experience in this market.

12. The representative of New Zealand stressed that his authorities were concerned about the Cheddar cheese market which was an extremely sensitive and very limited market. He hoped that the delegation of the United States would inform further the Committee on the means of disposing of surplus stocks of cheese. He noted that the United States intended to behave responsibly with regard to exports. Concerning possible foreign donations for aid purposes, he assumed that the United States would follow the normal notification procedure on surplus disposal.

13. In reply, the representative of the United States said that her country would follow the normal procedures in making any foreign donations.

14. The representative of Australia recalled that at the previous meetings of the Council and of the Committees his delegation had expressed the concern of his authorities over the increasing levels of stocks in the United States and over the proposed or contemplated methods of disposal. His delegation believed that the release of any of the stocks held by the CCC onto the world market could have a serious effect on world dairy prices. According to certain reports, the United States were contemplating to release up to 50,000 tons of cheese in the near future. The Australian Dairy Corporation had requested that traditional suppliers to the cheese market be consulted before any disposals were finalized in order that traditional cheese markets be disrupted to the minimum possible extent. His delegation was encouraged by the request made by the representative of the United States to countries having experience in this market to consult and advise the United States on the subject of possible exports. He hoped that the United States would accept the submission of the Australian Dairy Corporation.

15. The representative of the United States said that he would convey to his authorities the comments made.

16. The representative of Switzerland said that milk production was expected to be up slightly (by about 1 per cent) in 1982, in step with the overall trend in consumption of milk and milk products. With respect to

cheese, it was hoped that consumption would continue to rise in 1982, the target rate being about 2 per cent. Stocks of the principal cheese varieties had been at the level of 14,700 tons at the end of March 1982 and 15,200 tons at the end of May 1982.

17. The representative of Sweden said that during the second half of the seventies, milk production had increased as an average by about 2 per cent per year. However, a slowdown had been noted in 1981. As a result of continued increase in productivity, the annual production growth rate was estimated to return to the former rate of 2 per cent in 1982. In May 1982 the negotiations between the farmers' and consumers' delegations concerning the price regulation during the next two years had been concluded. The price regulation period would extend from 1 July 1982 to 30 June 1984. Following those negotiations, no basic changes had been decided upon. However, the Parliamentary decision of 1977 regarding the Swedish agricultural policy provided that domestic production of animal products should be adapted to domestic demand. Therefore, special attention had been given to measures aiming at reducing surpluses. The proposed measures primarily aimed at dairy production, including the abandonment of delivery additions for dairy farmers, sixty-five years and more of age, non-production grants to dairy farmers, sixty to sixty-five years of age, the possible introduction of a two-price system for milk and limited state credits for investments in the dairy sector. A special working group was being established to find ways of promoting consumption. With regard to cheese, it was expected that consumption would increase by 1 to 1.5 per cent in 1982.

18. The representative of Norway said that production of milk in the first quarter of 1981 had increased by 4.7 per cent. Following measures introduced to hold down production, output for the year 1981 as a whole had increased by only 1 per cent. In 1982 as in 1981 the number of cows and the average yield per cow were still rising. In the period January to May 1982 milk production had increased by 2.8 per cent. Further measures had already been introduced and might be introduced in the near future with a view to curbing or stabilizing production of milk. With respect to cheese, production in 1981 had continued at virtually the preceding year's level while consumption had been up about 2 per cent. Cheese exports were mainly to Japan, Canada and the United States.

19. The representative of Finland said that milk production had decreased in 1981 as a result of unfavourable weather conditions. The decrease was also due to the various measures carried out to reduce milk production. It was estimated that milk production would decrease by 3 to 4 per cent in 1982. With regard to cheese, he said that the decline in milk production had not affected cheese production. It was estimated that production and exports of cheese would remain unchanged in 1982 respectively at around 72,000 tons and 38,000 tons. It was also estimated that total domestic

consumption would increase to 38,000 tons in 1982 as compared to 36,600 tons in 1981. Per capita consumption of cheese had risen rapidly, from 4.5 kg. in 1970 to about 7.6 kg. in 1981.

20. The representative of South Africa said that production and consumption of cheese had fallen in the first quarter of 1982. Stocks of cheese at the end of March 1982 had reached 11,000 tons.

21. The representative of Poland said that exports of cheese had dropped back in 1981 while imports had increased. Consumption had remained relatively stable in that year in relation to 1980.

22. The representative of New Zealand said that milk fat production for the 1981-82 season was likely to about match last year's levels, despite the six weeks' summer drought. On a seasonal basis, milk fat processed in the June to February period was at 230 million kg. down 3.2 per cent on year earlier levels. Good autumn pasture growth in most dairying regions has been responsible for a dramatic increase in production in the autumn. Total milk fat processed for 1981-82 should be around previous season's production levels, i.e. 282 million kg. Cow numbers had increased slightly. The New Zealand Dairy Board (NZDB) had estimated that 2.05 million cows had been in milk in January 1982, a 1 per cent increase on the previous year. The NZDB also estimated that the 1982-83 season would begin with about 14,500 dairy suppliers (excluding town milk suppliers), approximately the same number as the beginning of the 1981-82 season. The average herd size had increased, from 129 cows in 1980-81 to 130 in 1981-82. With regard to cheese, New Zealand intended to increase production of cheese in 1982. New Zealand's 1981/82 end of season stocks were fully committed, reflecting strong demand internationally. It was likely that current prices of US\$1,750 per metric ton f.a.s. would continue, and firm in the second half of 1982, provided that the current supply and demand situation remained unchanged. Surplus stocks of American cheese remained high, but there was no evidence that the United States would do other than to attempt to solve its surplus problem internally.

23. The representative of Japan said that milk production had reached 6,620,000 tons in 1981, a 2 per cent increase over the previous year. Milk production had increased by 0.1 per cent in the first four months of 1982 as compared to the corresponding period of 1981. Consumption of milk for drinking had increased by 2 per cent in the period January to April 1982. In the same period, consumption of milk for processing decreased by 1.4 per cent. With respect to cheese, production in the four first months of 1982 had been up 5.6 per cent in relation to the corresponding period of 1981.

24. The representative of Japan was asked to communicate further details regarding import measures in respect of cheese.

25. The representative of Hungary said that production and consumption of cheese were forecast to increase in 1982. Per capita consumption of cheese could reach 4 kg. in 1982. Exports were expected to continue at the same level as in 1981.

26. The representative of the EEC said that milk production and deliveries to dairies in 1982 were expected to be respectively about 2.1 per cent and 2.4 per cent above the preceding year's level. Production and consumption of cheese were forecast to be up by 2.9 per cent and 1.7 per cent respectively in 1982 in relation to 1981. Cheese exports had shown an interesting development in 1981 as against 1980. With respect to market trends, in the view of his delegation the growth rate of exports could slow down in 1982, given that import demand for dairy products from developing countries, in particular oil-exporting countries, was currently less keen than in the preceding year.

27. The representative of Australia estimated that production of leviable cheese in 1981/82 would increase to 114,600 tons. He also estimated that cheese exports for 1981/82 were likely to show a slight increase to around 50,000 tons.

28. The representative of Austria said that cheese consumption had declined by about 1 per cent in the five first months of 1982. Imports and exports in the first quarter of 1982 had been down by about 13 per cent and 6 per cent respectively in relation to the corresponding period of 1981.

29. The observer for Canada said that in March 1982 the Market Sharing Quota for the production of industrial milk and cream had been reduced by 2 per cent. The rate of increase for milk production had been in the region of 5 to 6 per cent in early 1982 and had then slowed to 2.5 per cent in April 1982 in relation to the same month of 1981. With regard to cheese, domestic disappearance of Cheddar cheese appeared to have increased slightly in early 1982 while domestic consumption of other whole milk cheese had apparently increased by a bit less than 8 per cent. Exports of Cheddar cheese were increasing mainly due to sales to the EEC.

(b) Discussion on consumption

30. As agreed at the March session, a discussion on cheese consumption took place in the Committee.

31. The representative of Sweden said that cheese consumption decreased slightly in the first quarter of 1982. However, it was expected that total domestic consumption of cheese would increase by 1 to 1.5 per cent in 1982. With regard to developments in the consumption of cheese during the past ten years, she said that per capita consumption had increased considerably from 8.9 kg. in 1970 to about 14 kg. in 1981. She added that remarkable increases had occurred in the consumption of both fresh cheeses and hard cheeses.

32. The representative of Uruguay said that total consumption of cheese had reached some 10,800 tons in 1981. Soft cheeses accounted for 40 per cent of consumption, hard and semi-hard cheeses for 30 per cent, while the balance consisted of processed cheeses. In the first quarter of 1982, consumption

had continued at the same level as in the corresponding period of 1981. Because of difficult economic conditions, however, the trend in consumption for 1982 as a whole was somewhat uncertain.

33. The representative of Switzerland said that per capita consumption of cheese had risen from 9.1 kg. in 1968 to 13.4 kg. in 1980. As regards the trend in respect of the various cheese varieties, per capita consumption of soft cheese had increased sharply, from 1.3 kg. in 1968 to more than 4 kg. in 1980, i.e. about 30 per cent of per capita consumption. In 1980 hard and semi-hard cheeses had accounted for about 60 per cent of per capita consumption, while the share of processed cheeses had been 10 per cent. The proportion of imported cheeses in total consumption had also risen in Switzerland. Between 1968 and 1980 the quantity of imported cheeses in per capita consumption had increased from 2.4 kg. to 3.1 kg., representing in 1980 about one quarter of total per capita consumption. Higher meat prices as well as diversification of cheese varieties had encouraged the increase in cheese consumption. Consumption seemed to have levelled off but a further increase was possible in 1982, the objective being a rise by about 2 per cent.

34. The representative of Japan said that between 1970 and 1980 per capita consumption of cheese had increased at an annual average rate of 5.4 per cent. In the coming years, however, the rate of increase could be expected to slow down.

35. The representative of the EEC said that a very wide variety of cheeses was consumed in the Community and diversification efforts had yielded satisfactory results. In 1980 per capita consumption had been in the region of 12.7 kg.

36. The representative of Norway said that over the past ten years cheese consumption had increased by 35 per cent. Per capita consumption had risen from 12 kg. in 1979 to 12.4 kg. in 1980 and 12.5 kg. in 1981 - notwithstanding a 20 per cent price increase in the latter year. It would seem, therefore, that consumers attached some priority to cheeses.

37. The representative of New Zealand said that between 1975 and 1981, cheese consumption had increased from 15,000 tons to about 28,000 tons. In the same period per capita consumption of cheese increased from 5 kg. to about 8.7 kg. The type of cheese sold in New Zealand still remained predominantly Cheddar cheese. This heavy increase in consumption had been mainly achieved through an extensive promotional campaign. A study had showed that although cheese purchases had been regular and habitual, if they had been used up before repurchase time, they had not been replaced, leaving the household without cheese. It had been decided to concentrate on generic advertising, aimed at breaking the habits of buying small, and encourage purchasers to buy a bigger block. It had been further decided to build the promotion campaign around a specific size prepacked in 1 kg. blocks. The nationwide campaign launched to convince the consumer to buy a bigger block had been successful.

38. The representative of the United States reiterated that consumption of cheese was projected to rise some 7 per cent for 1982. Attractive prices for cheese, compared to other high protein foods, plus an anticipated improvement in the economy later in 1982 should help expand cheese use.

39. The representative of Australia said that between 1970/71 and 1981/82, cheese consumption had increased from 51,700 tons to an estimated quantity of 106,000 tons. Thus, cheese consumption had approximately doubled over the last decade. Per capita consumption had increased steadily in that period, with a minor fall in 1980/81, to the current level of 6.9 kg. It was expected that this trend would continue in the coming year. The market for natural Cheddar and processed Cheddar cheese had been static over the last five years. Consumers had turned increasingly to fancy cheese varieties. This growth had been experienced across most varieties of that market but in particular in the cream cheese, cottage cheese, Mozzarella and Edam cheese. Imports of cheese in 1981/82 would probably amount to some 15,000 tons, an increase of 13 per cent over 1980/81. The share of imports in total domestic consumption was increasing gradually. He informed the Committee that the Australian Dairy Corporation had decided to mount a major campaign over a three-year period to increase the per capita consumption from 6.9 kg. to 8.5 kg. In order to achieve this objective it was looking to increase significantly its advertising and marketing budget over the next three years.

40. The representative of Bulgaria said that total domestic consumption in 1979, 1980 and 1981 had reached 60,000 tons, 58,400 tons and 86,600 tons respectively, with per capita consumption at the level of 7.5 kg., 7.3 kg. and 11.2 kg. Consumption had risen considerably in 1981 in relation to the preceding year following a pronounced increase in output of ewe's milk with a corresponding rise in production of cottage cheese made from that milk. Recently, however, consumption of soft and processed cheeses had increased sharply. The upward trend in total cheese consumption was likely to continue in 1982.

41. The Committee agreed that cheese consumption should be reviewed regularly.

#### Adoption of report to the Council

42. In pursuance of Article VII:2(a) of the Arrangement and Rule 22 of the Rules of Procedure, the Committee adopted the report to be submitted to the Council. That report, on the work of the tenth session, will be circulated as document DPC/C/13.

#### Other business

#### Date of next session

43. In accordance with the preliminary calendar, it has been decided that the Committees will hold their eleventh sessions consecutively on 27, 28 and

29 September, subject to confirmation by the secretariat. If their work permits, the Committees will hold their sessions over two days instead of three. The session of the Committee of the Protocol Regarding Certain Milk Powders will be followed by the session of the Committee of the Protocol Regarding Certain Cheeses, then the session of the Committee of the Protocol Regarding Milk Fat.