

# COMMISSION OF THE EUROPEAN COMMUNITIES

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REPORT FROM THE COMMISSION TO THE COUNCIL  
ON THE APPLICATION OF PROTOCOL 18 IN THE  
YEAR 1975



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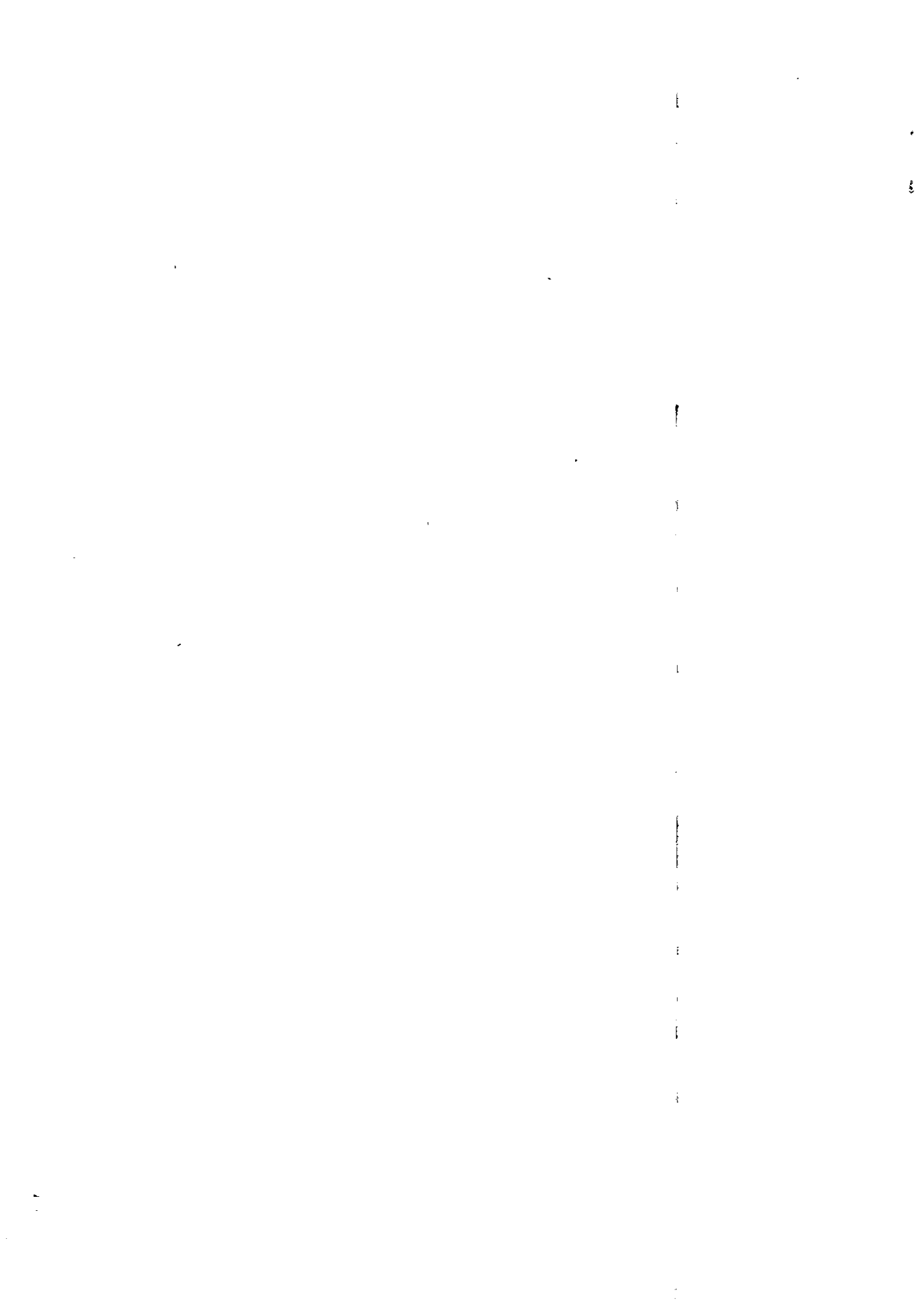
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I. - INTRODUCTION

1. In accordance with the provisions of Council Reg. 226/73 (1), the present report describes the manner in which the provisions of Protocol N° 18 to the Act attached to the Treaty concerning the accession of the New Member States to the European Economic Community and the European Atomic Energy Community (hereafter simply called "The Protocol"), were applied during the calendar year 1975. As in the case of previous reports (2), it is more than a simple statement of facts, and includes a reasoned assessment of the application of these provisions.

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- (1) Article 7 of Reg. 226/73 of the Council of 31 January 1973 laying down general rules for imports of New Zealand butter and cheese into the United Kingdom, as last amended by Reg. 3067/75 of the Council, of 24 November 1975.
- (2) R/920/74 (AGRI 251 (FIN 218) - SEC (74) 1277
- R/1035/75 (AGRI 313) (FIN 151) - COM (75) 151

II. UNITED KINGDOM IMPORT ARRANGEMENTS

A. Situation as regards quantities

2. Pursuant to Article 1 of the Protocol and on the terms specified therein, the United Kingdom was authorized to import from New Zealand during 1975:

151 994 m.t. of butter (149 593 LT) (1)  
45 720 m.t. of cheese ( 44 998 LT)

3. On 1 January 1975 United Kingdom stocks of New Zealand butter and cheese amounted to:

36 397 m.t. of butter ( 35 822 LT)  
9 700 m.t. of cheese ( 9 547 LT)

4. In 1975 the total quantity of New Zealand butter and cheese imported into the United Kingdom was:

119 816 m.t. of butter (117 924 LT)  
30 052 m.t. of cheese ( 29 577 LT)

(See Annex A)

5. The total quantity of New Zealand butter and cheese available for sale in the United Kingdom in 1975 was, therefore:

156 213 m.t. of butter (153 746 LT)  
39 752 m.t. of cheese ( 39 124 LT)

6. Sales of New Zealand produce in the United Kingdom in 1975 amounted to:

121 957 m.t. of butter (120 031 LT)  
24 036 m.t. of cheese ( 23 656 LT)

7. United Kingdom stocks of New Zealand produce carried forward on 31 December 1975 amounted to:

34 301 m.t. of butter ( 33 759 LT) (2)  
15 742 m.t. of cheese ( 15 493 LT) (2)

(1) 1 long ton (LT) = 1.016047 metric tons (m.t.)

(2) Adjusted figures

8. Imports of New Zealand butter and cheese in 1975 were, respectively, about 2 500 metric tons (2%) and about 12 500 metric tons (72%) higher than in 1974.
9. In 1975, United Kingdom production of butter fell by 6 000 metric tons to 47 000 metric tons, while total imports rose by 40 000 metric tons to 484 000 metric tons. (see Annex B). Consumption (at around 471 000 metric tons) remained practically unchanged; this was largely attributable to the operation of consumer subsidies and to the effects of the general level of inflation in the United Kingdom on the relative price of butter. The level of the consumer subsidy for butter (including imported butter) during 1975 was:

up to 2.3.75	: £ 184.80/LT (36.50 UA/100 kg)
3.3.75 to 3.8.75	: £ 233.00/LT (45.00 UA/100 kg)
4.8.75 to 26.10.75	: £ 233.00/LT (42.74 UA/100 kg) (1)
from 27.10.75	: £ 233.00/LT (40.26 UA/100 kg) (1)

Stocks of butter in the United Kingdom (2) increased by about 57 000 metric tons during the year. This was largely because United Kingdom imports from other Member States rose by over 11%, while United Kingdom consumption did not increase.

10. Cheese production in the United Kingdom increased by 17 000 metric tons to 235 000 metric tons in 1975 and total imports also rose, by 27 000 metric tons to 152 000 metric tons. So, in spite of an increase of about 18 000 metric tons in consumption, stocks of cheese rose by around 29 000 metric tons over the year. One factor contributing significantly to the increase in consumption is the subsidy granted to consumer, which remained at £ 188/LT throughout 1975. Stocks of New Zealand cheese in particular rose substantially in relative terms; this was largely because sendings to the United Kingdom (particularly towards the end of 1975) were, for a number of reasons (see paras 17, 18, 19) higher than had previously been anticipated. Unfortunately this increase in stocks coincides with a considerable increase in the availability of domestic cheese on the United Kingdom market.

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(1) These changes merely reflect alterations in the representative exchange rate of the pound sterling ("green pound").

(2) Including those in the pipeline.

B. Situation as regards prices and the fixing of special levies

11. In accordance with Article 2 (2) of the Protocol, and with Art. 4 of Council Reg. 226/73, the special levies applied in 1975 were fixed on the basis of the CIF prices of 90.81 UA/100 kg for butter and 78.41 UA/100 kg for cheese and on the basis of New Zealand selling prices on the UK market at such a level as to allow the quantities imported to be sold without prejudicing the marketing of Community butter and cheese. In view of market price development and, in particular, retail prices of butter and Cheddar cheese, the special levies were fixed as follows:

	<u>UA/100 kg</u>	
	<u>Butter</u>	<u>Cheese</u>
Until 2.3.75	50.06	75.38
3.3.75 - 20.4.75	46.10	73.70
21.4.75 - 15.9.75	46.10	66.70
16.9.75 - 7.12.75	49.01	70.72
from 8.12.75	71.38	92.87

12. The special levies were increased on 3 March 1975 to take into account transitional price changes in the United Kingdom and were adjusted on 21 April 1975 when the effect of these changes on actual market prices in the United Kingdom had become clear. The levies rose again on 16 September 1975 when the second stage of the 1975/76 price agreement took effect in the United Kingdom.

On 8 December 1975 the special levies were revised to take account in advance of the Council decision to alter prices (target price and intervention price) for the 1976/77 marketing year, since stocks of New Zealand butter and cheese already in the United Kingdom were sufficient to supply the market until the beginning of the new marketing year.

13. The evolution of prices in the United Kingdom during 1975 is shown in Annex C. The price of home produced butter in bulk increased from £ 580/LT (114.47 UA/100 kg) to £ 853/LT (147.39 UA/100 kg) and that in packets from £ 683.80/LT (134.96 UA/100 kg) to £ 955.40 LT (165.08 UA/100 kg).



The price of New Zealand butter in packets increased from £ 613.60/LT (121.10 UA/100 kg) to £ 852.46/LT (147.29 UA/100 kg).

The price of Cheddar cheese increased as follows:

home produced: from £ 765/LT (150.98 UA/100 kg) to £ 966/LT (166.91 UA/100 kg)

New Zealand: from £ 734.60/LT (144.97 UA/100 kg) to £ 837/LT (144.62 UA/100 kg).

These price increases were not completely passed on to the consumer as subsidy increases (see paras 9 and 10) offset them to a certain extent.

U. Provisions relating to the special CIF price referred to in the Protocol

14. In the light of the conclusions reached at the European Council meeting at Dublin in March 1975 (1) the Commission concluded in its previous annual report on the operation of the Protocol (2), that there should be a periodic updating of the data relevant to the fixing of the special CIF price, taking into account in particular the criteria laid down at Dublin.

15. Having examined the relevant data, the Commission concluded that the CIF price should be increased by 18% with effect from 1 January 1976, to take account of the changes which had occurred since the last examination. A Commission proposal to this effect was approved by the Council in November 1975 (3), raising the special CIF price, as of 1 January 1976 to:

107.16 UA/100 kg for butter

92.52 UA/100 kg for cheese

16. This increase did not take into account the devaluation of the New Zealand dollar in August 1975, the Commission's attitude on this subject being the same as that expressed in the first report on the operation of the Protocol (4) as regards the revaluation of the New Zealand dollar. New Zealand's receipts in terms of £ sterling from sales under the Protocol continue as before to reflect the application of monetary compensatory amounts which compensate for the difference between the market rate and the representative rate of the £ sterling.

(1) See extract (1) at Annex D

(2) R/1035/75 (AGRI 313) (FIN 151) - COM (75) 151, p. 9.

(3) Reg. (EEC) n° 3067/75 of the Council, of 24 November 1975.

(4) R/920/74 (AGRI 251) (FIN 218) - SEC (74) 1277. p. 9.

III. - DIVERSIFICATION

17. New Zealand's policy of market diversification in the dairy sector was less successful in 1975 than in 1974 (see Annex E). As regards butter, the greater opportunities for export to the USA, from which New Zealand benefitted in 1974, did not recur, and sales on this market were severely reduced. Canadian imports of New Zealand butter, which had been growing steadily, ceased completely in the second half of 1975. Butter sales to Japan also fell substantially. However, sales of anhydrous milk fat (butteroil) at 23,747 tonnes (nearly 29,000 tonnes of butter equivalent), were 10% higher in the June year 1974/75 than in 1973/74. Most of this went to Latin America. For cheese, as for butter, opportunities in the USA were considerably reduced in 1975. Cheese sales to Japan, however, remained at a high level, and Japan is now New Zealand's second largest export market. Moreover, opportunities for butter and cheese in a number of other smaller markets, including the Middle East, went some way towards offsetting the setbacks suffered in the USA, Japan and Canada.
18. The difficulties experienced in 1975 stemmed mainly from the effects of world recession on import demand, at a time when improved weather conditions in New Zealand had led to a further recovery in production.
19. As a result, higher quantities, particularly of cheese, were sent to the United Kingdom in 1975. The percentage of total exports in 1974/75 accounted for by exports to the United Kingdom rose to:
- |     |                |  |
|-----|----------------|--|
| 82% | for butter (1) | (against 71% in 1973/74 and 83% in 1972/3.)  |
| 44% | for cheese     | (against 32% in 1973/74, and 71% in 1972/3.) |
20. These figures show that for cheese, despite this year's setbacks, considerable progress has nevertheless been made towards market diversification since the Protocol came into force. For butter, however, no substantial new permanent markets have yet been developed; the progress achieved in 1973/74 has been virtually eroded by recent developments.

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(1) Excluding butteroil

IV. - PROGRESS TOWARDS AN INTERNATIONAL AGREEMENT

21. Article 4 of the Protocol states that "the Commission shall continue its efforts to promote the conclusion of an international agreement on milk products so that, as soon as possible, conditions on the world market may be improved".
22. The Commission remains attached to the existing international arrangements in the dairy products sector. Furthermore, in the sub-group on dairy products which began work during 1975 within the GATT Multilateral Trade Negotiations, the Commission has already made certain proposals with a view to the conclusion of one or several international agreements for the most homogeneous dairy products.
23. Moreover, in accordance with the wish expressed by the Heads of Government at Dublin (see extract (2) at Annex D), the Commission has endeavoured to achieve a closer cooperation with the New Zealand authorities with the aim of promoting an orderly operation of world markets.

V. - CONCLUSIONS

24. New Zealand exports of butter and cheese to markets other than the UK were seriously affected in 1975 by a reduction of import demand in many consuming countries outside the Community, principally as a result of the world recession. In the face of these difficulties, New Zealand sent higher quantities, particularly of cheese, to the United Kingdom. The Commission, in accordance with the provisions of the Protocol, fixed the special levies so as to permit New Zealand to sell additional quantities of butter and, more especially, of cheese on the United Kingdom market.
25. However, sendings of New Zealand cheese to the United Kingdom in 1975 were higher than had initially been anticipated. This led to a significant increase in stocks. Consideration will be given by the Commission to the eventual future implications of this increase in stocks.
26. In the Commission's view, the difficulties experienced by New Zealand in 1975 confirm the conclusion reached in the previous report that the opportunities for diversification depend to a great extent on the import policies pursued by consuming countries outside the Community. In this context, the conclusion of one or more international agreements covering the products in question would be an important achievement. The Commission has continued its efforts in this direction. The establishment of the sub-group on dairy products within the GATT Multilateral Trade Negotiations represents a significant step, although it is still too early to anticipate the outcome of its work.
27. As regards the special CIP price, the Commission considers that the 18% increase agreed in November 1975 constitutes a fair application of the criteria laid down by the European Council at Dublin. The Commission will continue to keep the relevant data under review, and will, in the light of those criteria, submit appropriate proposals to the Council, as and when necessary.

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ANNEX B: Development of production, consumption and trade in butter and cheese in the United Kingdom

ANNEX C: Movements of butter and Cheddar cheese prices in 1975  
(London and National Provisional Exchange)

ANNEX D: Extracts from the statement on New Zealand dairy imports issued following the European Council meeting in Dublin, 10 March 1975

ANNEX E: New Zealand exports of butter and cheese by destination



## 1975 Imports into the United Kingdom from New Zealand

(long tons)

Two week periods	Butter				Cheese			
	Arrivals cleared through customs	Arrivals not cleared through customs	Total arrivals	Sales	Arrivals cleared through customs	Arrivals not cleared through customs	Total arrivals	Sales
1/1 - 11/1	-	1944	1944	2033	-	-	-	232
12/1 - 25/1	2943	1968	4911	3899	-	854	854	537
26/1 - 8/2	-	3746	3746	4000	-	869	869	607
9/2 - 22/2	-	1968	1968	3953	-	333	333	409
23/2 - 8/3	760	397	1157	4270	-	622	622	514
9/3 - 22/3	-	2490	2490	4765	-	279	279	746
23/3 - 5/4	1943	2703	4646	3343	-	609	609	430
6/4 - 19/4	2513	4127	6640	2755	-	822	822	903
20/4 - 3/5	-	3349	3349	3002	121	91	212	686
4/5 - 17/5	295	5659	5954	3205	-	569	569	738
18/5 - 31/5	32	8397	8429	3642	-	3154	3154	476
1/6 - 14/6	-	-	-	3606	-	-	-	327
15/6 - 28/6	-	2034	2034	3577	-	1077	1077	445
29/6 - 12/7	-	-	-	3754	-	645	645	556
13/7 - 26/7	-	3549	3549	4183	-	208	208	615
27/7 - 9/8	1023	882	1905	5832	764	197	961	1616
10/8 - 23/8	9666	1877	11543	5302	302	800	1102	1227
24/8 - 6/9	6418	-	6418	5741	1166	-	1166	1332
7/9 - 20/9	327	-	327	6255	113	-	113	1426
21/9 - 4/10	6441	-	6441	6165	375	-	375	1440
5/10 - 18/10	5045	-	5045	5665	847	-	847	1725
19/10 - 1/11	5265	-	5265	5796	2515	-	2515	1743
2/11 - 15/11	5875	-	5875	5901	3189	-	3189	641
16/11 - 29/11	989	-	989	5867	69	-	69	777
30/11 - 13/12	8700	1224	9924	6290	2785	1659	4444	2064
14/12 - 27/12	5707	7668	13375	5539	1010	3536	4546	1283
28/12 - 31/12	-	-	-	1691	-	-	-	161
TOTAL			117.924	120.031			29.577	23.656

ANNEX B

Development of production, consumption and  
trade in butter and cheese in the United Kingdom

1.000 metric tons	1972	1973	1974	1975. (a)
Milk Production	13,999	14,241	13,834	13,820
Milk deliveries	13,445	13,705	13,311	13,333
Deliveries as % of production	96	96.2	96.2	96.5
Butter (b)				
Production	96	97	53	47
Total imports	358	339	444	484
of which:				
EEC	139	187	327	364
New Zealand	118	132	117	120
Total exports	4	17	4	3
Domestic disap- pearance (c)	404	427	473	471
Cheese				
Production	184	183	218	235
Total imports	151	137	125	152
of which:				
EEC	66	83	102	119
New Zealand	64	47	18	30
Total exports	4	6	12	6
Domestic disap- pearance (c)	303	326	334	352

(a) Provisional data

(b) Including butter equivalent of butteroil

(c) Estimated after taking account of stock changes

Source: M.A.F.F. Statistics



## ANNEX C

## MOVEMENTS OF BUTTER AND CHEDDAR CHEESE PRICES IN 1975

(London and National Provision Exchange)

L/metric tons

1975	Butter in Packets		Cheddar Rindless		
	Salted		Select White 40 lbs		
	United Kingdom	New Zealand	United Kingdom	New Zealand	
January	2	673	604	753	723
	9	"	651	"	"
	16	"	"	"	"
	23	672	"	"	"
	30	"	"	"	"
February	6	"	"	"	"
	13	"	"	"	"
	20	"	"	"	"
	27	"	"	"	724
March	6	810	771	"	"
	13	"	"	"	781
	20	"	"	"	"
	27	"	"	"	"
April	3	"	"	"	"
	10	"	"	812	"
	17	"	"	"	"
	24	"	"	"	"
May	1	801	"	"	"
	8	"	"	"	"
	15	"	"	"	"
	22	810	"	"	"
	29	"	"	"	"
June	5	"	"	"	"
	12	"	"	"	"
	19	"	"	"	"
	26	"	781	"	"
July	3	"	"	"	"
	10	"	"	"	"
	17	"	"	"	"
	24	"	"	"	"
August	7	844	"	840	"
	14	"	"	"	"
	21	"	"	"	"
	28	"	"	"	"
September	4	"	"	"	"
	11	"	"	902	"
	18	894	"	"	"
	25	"	"	"	"
October	2	"	819	"	"
	9	"	"	"	"
	16	"	"	"	"
	23	"	"	"	"
	30	"	"	"	"
November	6	940	839	"	824
	13	"	"	"	"
	20	"	"	"	"
	27	"	"	"	"
December	4	"	"	951	"
	11	"	"	"	"
	18	"	"	"	"
	25	"	"	"	"

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Extracts from the statement on New Zealand dairy imports issued following the European Council meeting in Dublin, 10 March 1975

(1) (The Heads of Government) observed that the Institutions of the Community have already carried out certain price adjustments in the framework of the Protocol. In the same spirit, the Community, which remains attached to a fair implementation of the Protocol, is ready to review periodically and, as necessary, to adjust the prices having regard to the supply and demand developments in the major producing and consuming countries of the world, and also to the level and evolution of prices in the Communities - including intervention prices - and in New Zealand, taking moreover into account cost developments in New Zealand and trends in freight charges.

(2) The Heads of Government note, moreover, that New Zealand and the Community together provide the major part of world exports of dairy products. They, therefore, express the wish that, in the same spirit with which the Community approaches the application of Protocol 18, an ever closer cooperation be developed between the Institutions of the Community and the New Zealand authorities with the objective of promoting in their mutual interest an orderly operation of world markets. Such a cooperation, apart from its intrinsic value, should provide a basis from which to achieve, in a wider framework, the conclusion of an effective world agreement such as is envisaged in Protocol 18.

## NEW ZEALAND EXPORTS OF BUTTER AND CHEESE BY DESTINATION

## A. BUTTER

Tonnes (%)

	1972/73 (1)	1973/74 (1)	1974/75 (1)	Jul-Nov 1975 (3)
United Kingdom	124,046 (83.1)	98,280 (71.2)	115,060 (82.2)	66,381 (85.5)
Japan	7,949 (5.3)	12,899 (9.3)	1,240 (0.9)	1 (0.0)
Canada	8,514 (5.7)	8,512 (6.2)	10,007 (7.1)	- (0.0)
USA	802 (0.5)	9,720 (7.0)	184 (0.1)	89 (0.1)
Jamaica	1,937 (1.3)	3,018 (2.2)	3,281 (23.4)	476 (0.6)
Poland	-	-	-	4,500 (5.8)
South Africa	n.a.	n.a.	1,464 (1.0)	-
Total (2)	149,256 (100.0)	138,029 (100.0)	139,984 (100.0)	77,666 (100.0)

\$ NZ 1000 (%)

	1972/73 (1)	1973/74 (1)	1974/75 (1)	Jul-Nov 1975 (3)
United Kingdom	94,602 (83.2)	59,202 (65.2)	76,157 (77.1)	61,908 (85.3)
Japan	5,600 (4.9)	10,301 (11.3)	1,234 (1.25)	-
Canada	6,825 (6.0)	6,975 (7.7)	9,632 (9.8)	-
USA	677 (0.6)	7,452 (8.2)	134 (0.1)	77 (0.1)
Jamaica	1,359 (1.2)	2,103 (2.3)	2,676 (2.7)	477 (0.7)
Poland	-	-	-	4,500 (5.6)
South Africa	n.a.	n.a.	1,319 (1.3)	-
Total (2)	113,691 (100.0)	90,800 (100.0)	98,744 (100.0)	72,539 (100.0)

- (1) 1st July - 30th June.  
(2) Including other destinations.  
(3) Provisional figures

Source: New Zealand Department of Statistics.

B. CHEESE

Tonnes (%)

	1972/73 (1)	1973/74 (1)	1974/75 (1)	Jul-Nov 1975 (3)
USA	12,517 (13.1)	29,071 (41.8)	4,102 (6.3)	8,213 (20.9)
United Kingdom	59,982 (62.8)	18,526 (26.6)	24,946 (38.6)	19,002 (48.4)
Japan	9,223 (9.7)	11,593 (16.7)	16,842 (26.1)	8,175 (20.8)
Jamaica	1,848 (1.9)	3,025 (4.4)	2,853 (4.4)	560 (1.4)
Australia	1,573 (1.6)	1,249 (1.8)	1,652 (2.6)	846 (2.1)
Trinidad & Tobago	2,188 (2.3)	1,678 (2.4)	2,016 (3.1)	487 (1.2)
Barbados	650 (0.7)	828 (1.2)	906 (1.4)	199 (0.5)
Iraq	n.a.	n.a.	3,332 (5.2)	-
South Africa	n.a.	n.a.	3,050 (4.7)	752 (1.9)
Total (2)	95,441 (100.0)	69,544 (100.0)	64,603 (100.0)	39,884 (100.0)

\$ NZ 1000 (%)

	1972/73 (1)	1973/74 (1)	1974/75 (1)	Jul-Nov 1975 (3)
USA	9,566 (12.1)	32,780 (53.0)	3,491 (7.2)	10,159 (27.6)
United Kingdom	54,747 (69.0)	14,076 (22.8)	15,279 (31.6)	14,554 (39.5)
Japan	5,869 (7.4)	7,552 (12.2)	13,915 (28.7)	7,447 (20.2)
Jamaica	1,012 (1.3)	1,858 (3.0)	2,282 (4.7)	531 (1.4)
Australia	1,418 (1.8)	1,338 (2.2)	1,765 (3.6)	1,030 (2.8)
Trinidad & Tobago	1,205 (1.5)	1,061 (1.7)	1,637 (3.4)	478 (1.3)
Barbados	369 (0.5)	531 (0.9)	729 (1.5)	182 (0.5)
Iraq	n.a.	n.a.	2,539 (5.2)	-
South Africa	n.a.	n.a.	2,670 (5.5)	673 (1.8)
Total (2)	79,400 (100.0)	61,800 (100.0)	48,423 (100.0)	36,836 (100.0)

(1) 1st July - 30th June.

(2) Including other destinations.

(3) Provisions figures.

Source: New Zealand Department of Statistics.

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FINANCE SHEET

The attached report is of a purely historical character and does not contain any proposal involving expenditure. Moreover, having regard to the financial provisions of the Act of Accession, with respect to the period of application of Protocol 18, the level of the special CIF price and of the special levies has no direct impact on the Community Budget.

