

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(77) 332 final

Brussels, July 15 1977

REPORT FROM THE COMMISSION TO THE COUNCIL ON THE APPLICATION OF PROTOCOL 18 IN 1976

COM(77) 332 final

EXPLANATORY NOTE

Article 7 of Council Regulation (EEC) No 226/73 provides that each year, before 1 April, a report be presented by the Commission to the Council on the manner in which the provisions of Protocol 18 of the Act of Accession, relating to the importation of butter and cheese into the United Kingdom from New Zealand, were applied.

The "Report from the Commission to the Council on the Application of Protocol 18 in 1976" is submitted for the approval of the Commission.

The delay in presenting this report was principally due to the difficulties encountered in obtaining the necessary statistics.

COMMISSION OF THE EUROPEAN COMMUNITIES

REPORT FROM THE COMMISSION TO THE COUNCIL
ON THE APPLICATION OF PROTOCOL 18 IN 1976

I. - INTRODUCTION

1. Pursuant to Council Regulation No 226/73¹ this report describes the manner in which Protocol 18 of the Act annexed to the Treaty concerning the accession of new Member States to the European Economic Community and to the European Atomic Energy Community (hereinafter called "the Protocol") was applied during the 1976 calendar year. Like previous reports², this report is not simply a record but contains a reasoned assessment of the manner in which the Protocol was applied.

¹ Article 7 of Council Regulation (EEC) No 226/73 of 31 January 1973 laying down general rules for imports of New Zealand butter and cheese into the United Kingdom, as last amended by Regulation n° 3067/75 of 24 november 1975.

² Doc. R/920/74 (Agri 251) (Fin 218) - SEC (74) 1277
Doc. R/1035/75 (Agri 313) (Fin 151) - COM (75) 151
Doc. R/1025/76 (Agri 302) (Fin 153) - COM (76) 153

II. - UNITED KINGDOM IMPORT ARRANGEMENTS

Situation as regards quantities

2. In accordance with Article 1 of the Protocol and on the terms laid down therein, the United Kingdom was authorized to import from New Zealand during 1976 :

- 145.085 tonnes of butter (142 794 LT)¹
- 30 480 tonnes of cheese (29 999 LT)

3. On 1 January 1976 stocks of New Zealand butter and cheese in the United Kingdom amounted to :

- 34 239 tonnes of butter (33 698 LT)
- 15 727 tonnes of cheese (15 479 LT)

4. In 1976 the total quantities of New Zealand butter and cheese imported into the United Kingdom were as follows :

- 121 947 tonnes of butter (120 021 LT)
- 30 452 tonnes of cheese (29 971 LT)

(See Annex 1)

5. The total quantities of New Zealand butter and cheese available for sale in the United Kingdom in 1976 were thus :

- 156 186 tonnes of butter (153 719 LT)
- 46 179 tonnes of cheese (45 450 LT)

6. Sales of New Zealand products in the United Kingdom in 1976 amounted to :

- 110 864 tonnes of butter (109 113 LT)
- 29 493 tonnes of cheese (29 027 LT)

7. On 31 December 1976 carryover stocks of New Zealand products in the United Kingdom amounted to :

- 45 323 tonnes of butter (44 607 LT)
- 16 686 tonnes of cheese (16 422 LT)

¹LT = long ton = 1.016047 tonnes (metric tons)

8. Imports of New Zealand butter and cheese in 1976 were respectively about 2 131 tonnes (2 %) and 400 tonnes (1 %) up on 1975.

9. In 1976 butter production in the United Kingdom was 90 000 tonnes. This figure, up sharply (+ 88 %) against 1975 and 1974, is close to the 1973 level (see Annex 2). Total imports fell by 90 000 tonnes compared to 1975, to 399 000 tonnes (see Annex 2). Consumption, which was about 418 000 tonnes in 1976, fell by 8 % compared with 1975.

Imports from other Member States dropped by 90 000 tonnes (-25 %) compared with 1975, but were up on 1973 (+ 88 000 tonnes = 4 %). The fall in consumption in 1976 was only 37 000 tonnes, partly because the total quantity of butter in store at the beginning of the 1976/77 milk year was so great that market prices in the United Kingdom rose only very slowly, and partly because of the application of consumer subsidies. The amount of this subsidy, which applied to both home and imported butter, was :

- until 5 June 1976 : £ 233/LT (40.26 u.a./100 Kg)
- from 6 June to 13 November 1976 : £ 151.20/LT (26.13 u.a./100 Kg)
- from 14 November to 28 December 1976 : £ 89.60/LT (15.48 u.a./100 Kg)
- from 28 December 1976 : nil

This subsidy was reintroduced from 1 May 1977 at a level of £ 190.98/LT (33 u.a./100 Kg).

10. Domestic production of cheese in the United Kingdom declined by 30 000 tonnes during 1976. Consumption of cheese was also influenced by the increase in official prices and by the phasing out of consumer subsidies. At the beginning of 1976, the cheese subsidy amounted to £ 188/long ton (32.48 u.a./100 kg) and was reduced during the year under review as follows :

01.01.1976	±	188/LT	(32,48 UA/100 kg)
25.01.1976	±	157/LT	(27,13 UA/100 kg)
14.11.1976	±	109/LT	(18,83 UA/100 kg)
28.12.1976	±	45/LT	(7,78 UA/100 kg)

Situation as regard prices and the fixing of special levies

11. In accordance with Article 2 (2) of the Protocol and with Article 4 of Council Regulation 226/73, the special levies in 1976 were fixed taking into account the following factors :

- a) the CIF prices fixed as and from 1st January 1976 at 107.16 UA for butter and 92,52 for cheese,
- b) the marketing costs up to the first point of sale,
- c) the level of price at which New Zealand dairy products could be absorbed by the UK market without prejudicing the marketing and sale of Community butter and cheese on the U.K. market.

12. Taking into account the expected evolution of market prices, the special levies were fixed as follows :

	(UA/100 kg)
a) <u>butter</u> - January 1st to 19th February 1976	71.38 (1)
20 February to 14th March	32.95
15th March to 21st September	54.72
22nd September to 5th December	58.79
6th December	63.09
b) <u>cheese</u> - January 1st to 14th March	92.87 (1)
15th March to 9th May	66.61 (1)
10th May to 30th June	52.44
1st July to 21st July	37.92
22nd July to 21st September	52.44
22nd September to 5th December	55.48
6th December	60.38

(1) No debondings were undertaken at this levy rate

It should be noted that the normal levy, applicable on an erga omnes basis in 1976, ranged from 152 UA to 188 UA per 100 kg for butter and from 124 UA to 154 UA per 100 kg for cheddar cheese.

13. The frequent modification of the level of special levies in 1976 was, in general, due to the uncertainty caused in the UK market by the existence of large stocks of New Zealand dairy products, combined with an increase in production, a decline in consumption and the decreases of the consumer subsidy. Because of these factors, establishment of the special levy at the appropriate time and level has been rather difficult.
14. At the end of 1975, the special levies were fixed at a precautionary high level in anticipation of the price decision of the Council of Ministers for the campaign which was due to begin on the first of February 1976. In fact, the decision of the Council was delayed until mid March and it became apparent that New Zealand did not have enough debonded butter to sell reasonable quantities at the existing levy. Consequently, the special levy was temporarily reduced on February 20th from 71.38 UA to 32.95 UA, a reduction which facilitated the sale of about 10.000 tons of butter.
15. On March 15th and September 22nd, the special levies were fixed both for butter and cheese at levels which took into account the milk price decision of the Council for the 1976/77 campaign.
16. For cheese, the level of the special levies applicable from 15 March was shown to be too high, because the market price did not adjust to the increase in intervention prices due to the fact that production and stocks were high and consumption was reduced. Thus, the sales of New Zealand cheese during the first six months of 1976 were relatively limited in spite of a further reduction of the special levy on May 10th, 1976.
17. On the first of July it was again necessary to reduce the levy temporarily to a level of 37.92 UA in order to allow the sales of certain quantities of aged cheese. During the second half of the year 1976, the market prices had increased to the extent that it was possible to sell 20.700 tonnes of New Zealand cheese compared to 8.000 tonnes during the first half of 1976.

18. In total, 110 864 tonnes of butter and 29 493 tonnes of cheese were sold, being 11 200 tonnes of butter and 1 000 tonnes of cheese less than imported.

Provisions concerning the special CIF price referred to in the Protocol

19. In implementing the Protocol, the Council, acting on proposals from the Commission, raised the CIF prices in 1974 and 1975¹ :

- from 76.96 u.a./100 kg to 90.81 and 107.16 for butter ;
- from 66.45 u.a./100 kg to 78.41 and 92.52 for cheese.

These increases in CIF prices took account in 1974 of the exceptional rise in costs caused mainly by the energy crisis and in 1975, in accordance with the principles stated in the Dublin Declaration of March 1975, of the evolution of prices in the Community and in New Zealand, costs in New Zealand and freight charges. Thus, the prices obtained by New Zealand are those fixed in November 1975.

¹ Put into effect on 1 January the following year

IV. - PROGRESS TOWARDS THE CONCLUSION OF AN INTERNATIONAL AGREEMENT

27. Article 4 of the Protocol provides that "the Community 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". As part of the G.A.T.T. multi-lateral trade negotiations, the Community has proposed the negotiation of agreements in respect of the more homogeneous dairy products and the negotiation of concerted practices between importing and exporting countries in respect of the other dairy products in which there is considerable international trade.

28. In addition, in accordance with the wish expressed by the Heads of Government in Dublin, the Commission is seeking to achieve closer cooperation with the New Zealand authorities so as to promote the orderly functioning of world markets, in particular in the framework of international agreements. The existing arrangements for whole milk powder and skimmed milk powder have prevented the world price for these products falling below the minimums laid down. As regards skimmed milk powder in particular, special arrangements have been made in Geneva under G.A.T.T. to dispose of a large part of the surpluses in the form of products for animal feed.

29. The Commission, in stressing the importance of New Zealand-EEC cooperation for the future, expresses the hope that renewed efforts will be made to provide a better basis for the conclusion of an effective world dairy products agreement involving all the major participants in world trade - both importing and exporting countries.

V. - CONCLUSIONS

30. The above information shows that it was relatively difficult to administer the Protocol in 1976. This was mainly due to the fact that prices on the United Kingdom market did not move towards Community prices to the extent expected. This situation had repercussions on New Zealand sales, which began slowly at the beginning of the year. After several efforts to adjust the special levies, New Zealand nevertheless exported the entire quantity of cheese provided for in the Protocol but butter exports were 23 000 tonnes less than the quantities fixed. The Commission considers desirable that these products be sold in a more orderly manner in future.

31. In 1976 the Commission confirmed the conclusion reached in previous reports, that the possibilities of diversification for New Zealand would depend closely on the import policies adopted by third countries. With this in view, the Commission would recall the great importance it attaches to stabilizing world trade in dairy products.

32. Pending the implementation of concrete solutions worldwide, it is clear from the foregoing that New Zealand still depends substantially on its outlets for the products concerned on the United Kingdom market.

LIST OF ANNEXES

Annex 1 : 1976 Imports into the United Kingdom from New Zealand

Annex 2 : Development of production, consumption and trade in butter and cheese in the United Kingdom

Annex 3 : Butter and cheddar cheese - Price changes 1976

Annex 4 : New Zealand exports of butter

Annex 5 : New Zealand exports of cheese

1976 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 - 10/1	-	8524	8524	2737	-	414	414	443
11/1-24/1	-	2604	2604	4482	-	-	-	1152
25/1- 7/2	-	10068	10068	4738	-	197	197	557
8/2 - 21/2	-	5844	5844	4280	-	664	664	1000
22/2- 6/3	893	3476	4369	4287	-	1529	1529	449
7/3- 20/3	-	1980	1980	5140	-	989	989	713
21/3- 3/4	744	248	992	4335	-	380	380	520
4/4- 17/4	-	-	-	3632	-	-	-	467
18/4- 1/5	-	-	-	2240	-	-	-	386
2/5-15/5	248	670	918	2232	-	287	287	546
16/5- 29/5	1585	662	2247	2495	-	408	408	547
30/5- 12/6	481	564	1045	3081	-	324	324	520
13/6- 26/6	821	49	870	2770	-	1495	1495	508
27/6- 10/7	214	1624	1838	2413	-	2839	2839	2924
11/7- 24/7	409	1196	1605	3389	-	664	664	859
25/7- 7/8	228	1131	1359	4178	-	1124	1124	1207
8/8- 21/8	457	1233	1690	3980	-	1686	1686	431
22/8- 4/9	5966	-	5966	3691	-	1273	1273	465
5/9 -18/9	704	3552	4256	4272	-	783	783	2840
19/9- 2/10	413	-	413	4878	-	291	291	1110
3/10-16/10	2818	-	2818	5591	2758	677	2758	1861
17/10-30/10	-	-	-	5671	-	-	-	1590
31/10-13/11	9563	-	9563	5766	-	-	-	3263
14/11-27/11	13235	-	13235	5875	623	-	623	715
28/11-11/12	10080	-	10080	5592	2528	-	2528	1424
12/12-25/12	7871	-	7871	5798	4764	-	4764	2353
26/12-31/12	19872	-	19872	1575	3275	-	3275	176
TOTAL			120027	109118			29972	29028

(TOTAL - METRIC TONNES

121947

110864

30452

29493)

DEVELOPMENT OF PRODUCTION/ CONSUMPTION AND TRADE IN BUTTER AND CHEESE
IN THE UNITED KINGDOM

1000 tonnes

	1972	1973	1974	1975	1976 (Provisional)
Milk production	13.997	14.241	13.836	13.815	14.305
Milk deliveries	13.445	13.705	13.311	13.329	13.841
Deliveries as % of production	96	96,3	96,2	96,4	96,7
Butter production	96	98	54	48	90
Total Imports of which:	358	339	446	489	399
E.E.C.	147	187	326	365	275
New Zealand	118	132	119	124	122
Total Exports	4	17	4	3	16
UK Consumption (a)	390	433	460	455	418
Cheese production	184	182	218	235	204
Total Imports of which:	151	137	121	152	147
E.E.C.	66	83	102	114	114
New Zealand	64	47	17	30	30
Total Exports	4	6	12	7	11
UK Consumption (a)	303	324	330	351	340

(a) Estimated after taking account of stock changes

Source : MAFF

BUTTER AND CHÉDDAR CHEESEPRICE CHANGES - 1976

(London and National Provision Exchange)

t/Tonne

Date (1976)	<u>Salted butter in packets</u>		<u>White cheddar</u>	
	English	New Zealand	English (40 lbs)	New Zealand (20 kg)
5 January	948	839	951	846
12 January	948	887	951	846
23 February	948	887	951	897
29 March	981	951	951	897
19 April	981	1.014	951	897
10 May	1.020	1.014	951	873
14 June	981	1.014	951	873
26 July	1.020	1.014	951	873
23 August	1.061	1.014	951	873
13 September	1.102	1.014	990	897
4 October	1.124	1.014	990	897
25 October	1.124	1.044	990	897

NEW ZEALAND EXPORTS OF BUTTER

Tonnes

	1973/74 (1)	1974/75 (1)	1975/76 (1)	Jul/Dec 1976 (2)
Arab Republic of Egypt	-	-	7,175 (4.2)	-
Canada	8,512 (6.2)	10,007 (7.2)	-	-
Hungary	-	-	3,900 (2.3)	-
Iran	-	-	6,710 (3.9)	-
Iraq	-	500 (0.4)	2,502 (1.5)	1,192 (1.2)
Jamaica	3,018 (2.2)	3,281 (2.3)	2,353 (1.4)	686 (0.7)
Japan	12,899 (9.3)	1,240 (0.9)	3,622 (2.1)	6,157 (6.1)
Morocco	-	-	2,148 (1.2)	-
Poland	-	-	10,000 (5.8)	-
Portugal	-	-	3,300 (1.9)	4,914 (4.9)
South Africa	-	1,464 (1.0)	-	-
Romania	-	-	2,000 (1.2)	-
United Kingdom	98,280 (71.2)	115,060 (82.2)	114,735 (67.0)	78,180 (78.0)
U.S.A.	9,720 (7.0)	184 (0.1)	181 (0.1)	85 (0.1)
Venezuela	-	489 (0.4)	1,240 (0.7)	1,177 (1.2)
Yugoslavia	-	-	1,000 (0.6)	500 (0.5)
Other destinations	5,600 (4.1)	7,759 (5.5)	10,401 (6.1)	7,353 (7.3)
TOTAL:	138,029(100.0)	139,984(100.0)	171,272(100.0)	100,244(100.0)

(1) 1 July - 30 June

(2) Provisional

Sources: New Zealand Department of Statistics

NZ\$1,000 fob (%)

	1973/74 (1)	1974/75 (1)	1975/76 (1)	Jul/Dec 1976 ^a
Arab Republic of Egypt	-	-	9,497 (5.6)	-
Canada	6,975 (7.7)	9,632 (9.8)	-	-
Hungary	-	-	3,457 (2.0)	-
Iran	-	-	6,366 (3.8)	-
Iraq	-	350 (0.4)	2,146 (1.3)	1,577 (1.4)
Jamaica	2,103 (2.3)	2,676 (2.7)	2,729 (1.6)	1,126 (1.0)
Japan	10,301 (11.3)	1,234 (1.3)	4,895 (2.9)	6,652 (5.8)
Morocco	-	-	2,196 (1.3)	-
Poland	-	-	9,102 (5.4)	-
Portugal	-	-	2,647 (1.6)	3,961 (3.5)
South Africa	-	1,319 (1.3)	-	-
Romania	-	-	1,638 (1.0)	-
United Kingdom	59,202 (65.2)	76,157 (77.1)	111,484 (66.0)	92,278 (81.2)
U.S.A.	7,452 (8.2)	134 (0.1)	309 (0.2)	109 (0.1)
Venezuela	-	428 (0.4)	1,215 (0.7)	1,004 (0.9)
Yugoslavia	-	-	938 (0.5)	335 (0.3)
Other destinations	4,767 (5.3)	6,814 (6.9)	10,358 (6.1)	6,606 (5.8)
TOTAL:	90,800(100.0)	98,744(100.0)	168,967(100.0)	113,648(100.0)

(1) 1 July - 30 June

(2) Provisional

Sources: New Zealand Department of Statistics

NEW ZEALAND EXPORTS OF CHEESE

Tonnes

	1973/74 (1)	1974/75 (1)	1975/76 (1)	Jul/Dec 1976 ^a
Australia	1,249 (1.8)	1,652 (3.6)	1,996 (2.5)	1,232 (2.6)
Barbados	828 (1.2)	906 (1.4)	705 (0.9)	-
Iraq	-	3,332 (5.2)	3,750 (4.6)	907 (1.9)
Jamaica	3,025 (4.4)	2,853 (4.4)	2,882 (3.6)	785 (1.8)
Japan	11,593 (16.7)	16,842 (26.1)	18,447 (22.8)	9,203 (19.6)
South Africa	-	3,050 (4.7)	752 (0.9)	-
Trinidad and Tobago	1,678 (2.4)	2,016 (3.1)	1,793 (2.2)	950 (2.0)
United Kingdom	18,526 (26.6)	24,946 (38.6)	32,754 (40.6)	19,626 (41.8)
U.S.A.	29,071 (41.8)	4,102 (6.3)	12,599 (15.6)	10,329 (22.0)
Other destinations	3,574 (5.1)	4,904 (7.6)	5,042 (6.3)	3,475 (8.7)
TOTAL:	69,544(100.0)	64,603(100.0)	80,760(100.0)	46,907(100.0)

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	1973/74 (1)	1974/75 (1)	1975/76 (1)	Jul/Dec 1976 (2)
Australia	1,338 (2.2)	1,765 (3.7)	2,410 (3.1)	1,609 (3.2)
Barbados	531 (0.9)	729 (1.5)	687 (0.9)	-
Iraq	-	2,539 (5.2)	3,648 (4.7)	831 (1.7)
Jamaica	1,858 (3.0)	2,282 (4.7)	3,089 (3.9)	913 (1.8)
Japan	7,552 (12.2)	13,915 (28.7)	18,523 (23.7)	9,466 (19.0)
South Africa	-	2,670 (5.5)	673 (0.9)	-
Trinidad and Tobago	1,061 (1.7)	1,637 (3.4)	1,805 (2.3)	866 (1.7)
United Kingdom	14,076 (22.8)	15,279 (31.6)	26,323 (33.6)	19,335 (38.8)
U.S.A.	32,780 (53.0)	3,491 (7.2)	15,642 (20.0)	13,452 (27.0)
Other destinations	2,604 (4.2)	4,116 (8.5)	5,422 (6.9)	3,396 (6.8)
TOTAL:	61,800(100.0)	48,427(100.0)	78,222(100.0)	49,868(100.0)

(1) 1 July - 30 June

(2) Provisional

Sources: New Zealand Department of Statistics