



# OVERVIEW AND POLICY POSITION

SEPTEMBER 2005

## The Global Dairy Alliance explained

The Global Dairy Alliance is a diverse group of national dairy industries who are working to establish a fair and market-oriented trading system for dairy.

The current members of the GDA are Argentina, Brazil, Uruguay, Chile, New Zealand and Australia. The Alliance represents more than 1.5 million dairy farmers, 60 billion litres of milk production annually and a majority of world dairy trade.

The industries represented by the alliance are market-oriented and unsubsidised. Their farmers produce milk without the high levels of support and price measures that are a feature of the dairy industries of most developed countries.

## The importance of Doha for dairy

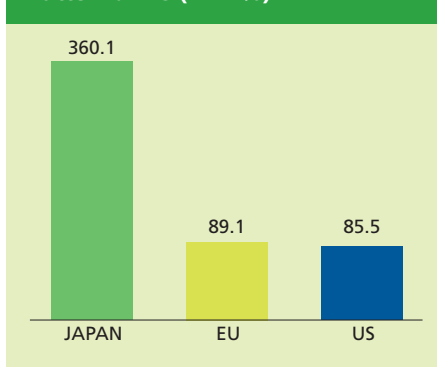
The dairy sector is one of the most heavily subsidised and distorted sectors in global agricultural trade.

Fifty years after the GATT's formation, policy settings in many countries continue to distort world dairy trade and prices and impose massive costs on efficient producers and consumers.

Subsidies, particularly those paid on exports, depress prices in the global dairy market and affect the livelihoods of dairy farmers worldwide.

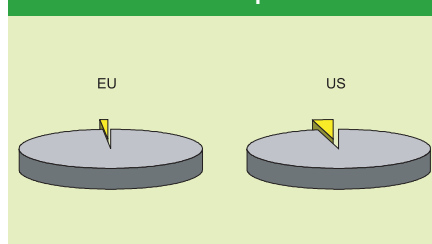
Market access barriers for dairy are among the highest in the world. Many tariffs in key developed markets are at levels prohibitive to trade.

Butter Tariffs (AVE %)



Access to the world's largest dairy markets is largely limited to quotas, and is minimal in comparison to consumption

Quota access as a share of total cheese consumption



The Global Dairy Alliance believes that international trade in dairy products should be based on open markets that are free of regulatory distortions. Consumers should have free access to the products of their choice.

The Alliance sees the WTO Doha Development Round as an unmatched opportunity to achieve these aims. There can be no Doha Round outcome without a comprehensive agreement on agriculture. And there can be no outcome on agriculture without fundamental reform of dairy trade.

## Global Dairy Alliance policy positions

The GDA demands that the WTO Doha Development Round negotiations deliver real improvements in trade opportunities for world dairy producers.

The Doha outcome must provide substantial benefits to dairy trade across all three pillars – market access, export subsidies and domestic support.

For international dairy trade results in market access are crucial. Removing export subsidies and major reductions in domestic support are important but insufficient in themselves. Market access alone will lead to sustainable long term improvements in international trade.

### MARKET ACCESS

The GDA wants to see the Round deliver on the Framework Agreement commitment to 'substantial' improvement in access for all products. Present tariffs are often at very high

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## Global Dairy Alliance policy positions

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peaks (as shown above) and should be reduced. But reductions must be sufficient to allow new trade to develop.

For that reason the GDA supports:

- a tariff cap that is progressively reduced
- bands for tariff reduction that allow higher tariffs to receive much larger cuts
- a strict limit on the number of products classified as sensitive including a limit per tariff chapter.

Tariff quotas offer another way to increase international trade. Increases in tariff quota commitments should:

- be based on consumption over a recent period
- include the elimination of inside quota tariffs
- ensure that quotas are filled through robust new rules on tariff quota administration.

The GDA wants to see the conversion of specific to ad valorem tariffs on a permanent basis, including complex tariffs which incorporate both ad valorem and specific elements).

The GDA supports the Framework Agreement in not requiring developing countries to meet the same level of commitment as their counterparts in developed countries. Nevertheless there should be clear criteria adopted in choosing a limited number of special products.

### EXPORT COMPETITION

The GDA strongly supports the commitment in the Framework Agreement to eliminate export subsidies as a major step forward. Implementation should move quickly to the point of elimination, preferably over 3 years with a substantial down

payment in year one. Within this formula and in other elements of implementation there should be no differentiation between dairy and other agriculture sectors.

The timetable for removal of export subsidies must apply equally to both volume and value entitlements.

Strong transition measures must prevent circumvention of reduction commitments. These should include:

- a limit on the 'per unit' subsidy and phasing the limit down over time
- prohibiting the rollover of export subsidy provisions between individual years
- eliminating the use of component subsidies
- maintaining the disaggregation commitments of export subsidies.

Food aid frequently distorts international trade and should be disciplined. The GDA's view is that:

- food aid should not be a means of surplus disposal but should be for emergency assistance only on a bilateral basis or through multilateral agencies
- a notification process should be established through the WTO committee on agriculture including usual marketing requirements
- food aid must not be 'monetised'.

### DOMESTIC SUPPORT

The GDA wants to see effective control and reduction of all trade distorting domestic support on a sectoral basis.

Both on a sectoral basis and overall there should be very significant cuts in domestic support. Current entitlement levels are well above actual usage. Reductions should lead to real and effective cuts in actual expenditure and not just the removal of part of the

surplus element in current entitlements.

Specifically the GDA calls for progressive elimination of all trade distorting domestic subsidies in developed countries.

- Initial reductions in trade distorting domestic support (including AMS, Blue Box and de-minimis) should be from current usage levels
- The reduction formula should be truly harmonising so that allowable levels of support are the same for all developed countries. This should be based on a percentage of the value of production i.e. the largest users make the biggest cuts
- There should be a cap and a progressive reduction of all trade distorting domestic support on a product specific basis, not just for AMS, to prevent 'box shifting' and misuse of de-minimis provisions.

Green box criteria should be clear and programmes reviewed to ensure the criteria are met.

### NON-TRADE CONCERNS

Within the Doha Round, discussions on non-trade concerns must also be dealt with in ways that do not establish new forms of protectionism or technical barriers to trade.

The GDA opposes any moves to increase protection on GIs:

- current rules for the protection of agricultural GIs are sufficient and working well;
- increased GI protection would restrict trade in cheeses which have long become generic products, produced marketed and sold worldwide. GDA members are among those who have created the brand value and reputation of these products.