



**Global  
Dairy  
Alliance**

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**gda**

**MEDIA RELEASE**



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## **GLOBAL DAIRY ALLIANCE SUPPORTS G20/CAIRNS GROUP PROPOSAL ON EXPORT SUBSIDIES**

The Global Dairy Alliance (GDA) strongly supports the G20/Cairns Group proposal on the process for eliminating export subsidies by the agreed date of 2013. Export subsidies have a negative effect on dairy product prices.

Oswaldo Cappellini, GDA President, declared, "It is crucial that the elimination formula achieves a substantial part of the process by the mid point. The joint proposal meets this with its proposal for a cut of 80% by 2010 in both volume and value commitments with an initial downpayment of 50% in the first year."

For the GDA there are some equally important issues. These include a continued use of the present bound product specific commitments. Aggregation into a single dairy product category, for instance, could permit subsidising exporters to avoid reductions by shifting volumes within a much larger amount.

Mr Cappellini added that the formula must cover both volume and value commitments. "There is a view from the EU that cutting values is sufficient to meet the Hong Kong declaration. That is not so. It is also another attempt to avoid real cuts in subsidies. Only if volumes are progressively reduced through the elimination period will there be a positive impact on dairy prices".

The GDA also supports the G20/Cairns Group proposal for a standstill on export subsidies.

Mr Cappellini concluded that while the elimination of export subsidies was an important step forward, this still has to be matched by significant improvements in market access.

"The Doha Development Round can only be called successful if it generates substantially new dairy trade".

Export subsidies on dairy products are used almost exclusively by the EU which holds a market share of over 30% of international trade. In practical terms the subsidies act as a constraint on international prices and thereby depressing the incomes of dairy producers in open markets. For example, current EU subsidies for butter are still around 65% of the world price!

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Visit [www.globaldairyalliance.org](http://www.globaldairyalliance.org) for updates



## **BACKGROUND NOTES**

### **Global Dairy Alliance – Battling the Tariffs**

The Global Dairy Alliance includes the dairy industries of Argentina, Australia, Brazil, Chile, New Zealand and Uruguay.

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

Subsidies, particularly those paid on exports, heavily influence the prices of the global dairy industry and the livelihoods of dairy farmers worldwide.

Here are some examples of how some nations limit free market access, depressing farmers' milk prices in other countries, and thus reducing returns for some of the world's poorest dairy farmers:

- Dairy tariffs are among the highest in the world, with many tariffs in key developed markets being well over 100%.
- The tariff on butter in Japan is more than 500%
- Dairy tariffs in Canada are between 200% and 300%.
- EU cheese quotas are around 100,000 tonnes, in a market of 7 million tonnes
- Fortnightly decisions made by EU officials on export subsidies have negative repercussions on the incomes of dairy farmers throughout the world.

The GDA seeks:

- Elimination of all export subsidies within three years
- Strong disciplines on the use of food aid and all other export competition policies (such as export credits).
- Substantial, progressive improvements in market access for dairy products leading ultimately to the elimination of all dairy product tariffs and tariff quotas
- Progressive elimination of all trade-distorting domestic subsidies in developed countries.

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