



MEDIA RELEASE



2 February 2009

GLOBAL DAIRY ALLIANCE DISAPPOINTMENT AT EU EXPORT SUBSIDY REINTRODUCTION

Global Dairy Alliance Chairman Mr Osvaldo Cappellini today expressed extreme disappointment at the reintroduction of export subsidies for dairy products by the EU.

“Export and domestic subsidies are not the way to stabilise or support markets. These only serve to subsidise unprofitable industries by insulating them from efficient world markets – to the detriment of their own economies.” Mr Cappellini said.

“The EU should be looking at growing the domestic market and addressing the disparity between high internal and world prices through the removal of production quotas and eliminating tariff barriers. Slapping on export subsidies is not the answer. Even members of the EU industry are saying it is a step backward,” Mr Cappellini pointed out.

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

“Dairy markets have already been affected by the world economic slow down. But there is a real risk that the market will be trapped in a period of depressed prices as developed countries enter into a subsidy war.” Mr Cappellini added.

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.

“The EU should commit to the removal of these subsidies immediately. We do not want to see the market being subject to even more uncertainty as a result of EU policy,” Mr Cappellini stated.

Established in 2002, The Global Dairy Alliance has worked hard to achieve a fair and market oriented trading system for dairy.

“WTO members agreed to eliminate export subsidies as well as other market distorting surplus disposal instruments by 2013. We urgently need a WTO Doha Round outcome so that export subsidies no longer play a part in world dairy trade,” Mr Cappellini concluded.

Contact: Mr Chris Phillips, +61 3 9694 3763 or +61 41 81 04 709

Visit 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.

ENDS