



Doha & Dairy

Creating New Trade

Cairns Group Farm Leaders' Meeting

Cairns, Australia

September 2006



The Round is badly stalled

- The GDA is dismayed and disappointed over the current situation.
- Despite the talk and promises in Hong Kong last December, we have had nothing but a series of missed deadlines.
- When all participants say it is so important, it is nothing short of incredible that there is no progress.



We need real outcomes

- A successful outcome is crucial for creating new trade in dairy products and eliminating export subsidies.
- However, we do not want an outcome for the sake of an outcome. No outcome is better than a “Doha Lite”.
- Exporters need to see commercial results from Round – not artificial and meaningless reductions in tariffs, export subsidies and domestic support.
- Current “headline” modalities offer virtually nothing for dairy.
- The outcome for dairy is critically dependent on details.



Current prospects are minimal at best.

Current prospects for dairy:

1.

Access

- ❖ **General tariff reduction formulas provide virtually nothing**
- ❖ **Sensitive product provisions may create limited extra trade**

2.

Export Subsidies

- ❖ **A gain but dependent on elimination arrangements**

3.

Domestic Support

- ❖ **Dairy is so distorted that the scale of reforms being talked about will not impact dairy trade in the foreseeable future**



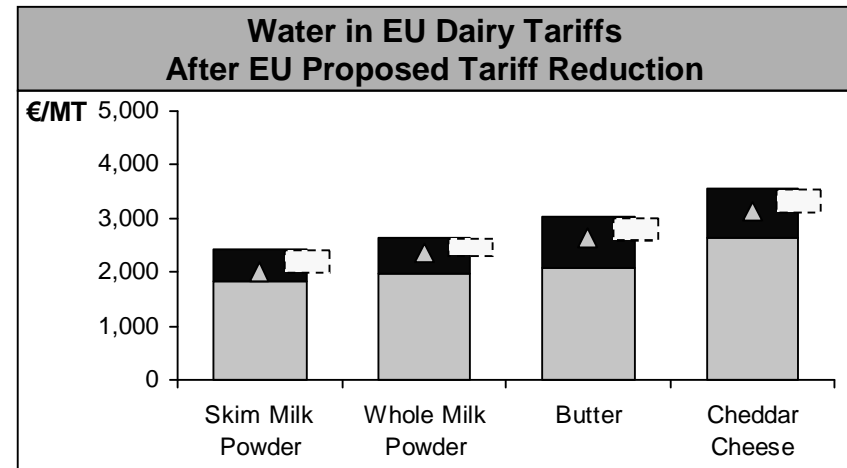
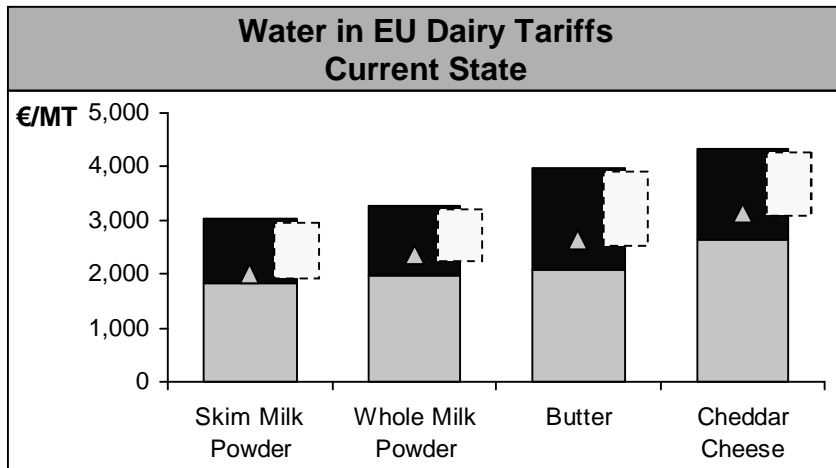
Key issues

This presentation highlights key issues, beyond the basic tariff reduction formulae, for a commercially attractive outcome for dairy.

- ❖ Sensitive Products
- ❖ In-quota Tariffs
- ❖ Special Agriculture Safeguard
- ❖ Tariff Quota Administration
- ❖ Export Subsidies
- ❖ Special Products
- ❖ SSMs
- ❖ Geographic Indications

Sensitive Products

- Most dairy tariffs are so high or have so much “water” there will be no need for sensitive product provisions.
- But these provisions will certainly be used if there is a prospect of access



CIF Price
 Tariff
 Domestic Price
 Water in Tariff

The tariff cuts required to remove the water in EU tariffs are:

Skim milk powder	86%	Butter	69%
Whole milk powder	72%	Cheddar Cheese	72%



Sensitive Products - Key Issues

Number Permitted

*Percentage of tariff lines ?
Items at 6 or more digits ?*

- A small proportion of the many dairy tariff lines account for the bulk of dairy trade . Our research indicates that about 90% of dairy trade is covered by 5% of dairy tariff lines,
- The important issue is treatment through tariff quota expansion

Tariff Quota Expansion

The commercial value of a quota depends on the combination of three factors:

- V: Volume – the size of the quota
- P: Price – dictated by in-quota tariffs.
- A: Accessibility – based on tariff administration

$$\text{Commercial Value} \\ = P \times V \times A$$

Without acceptable levels for all three variables, commercial value is diminished.



Sensitive Products – Key Issues (cont'd)

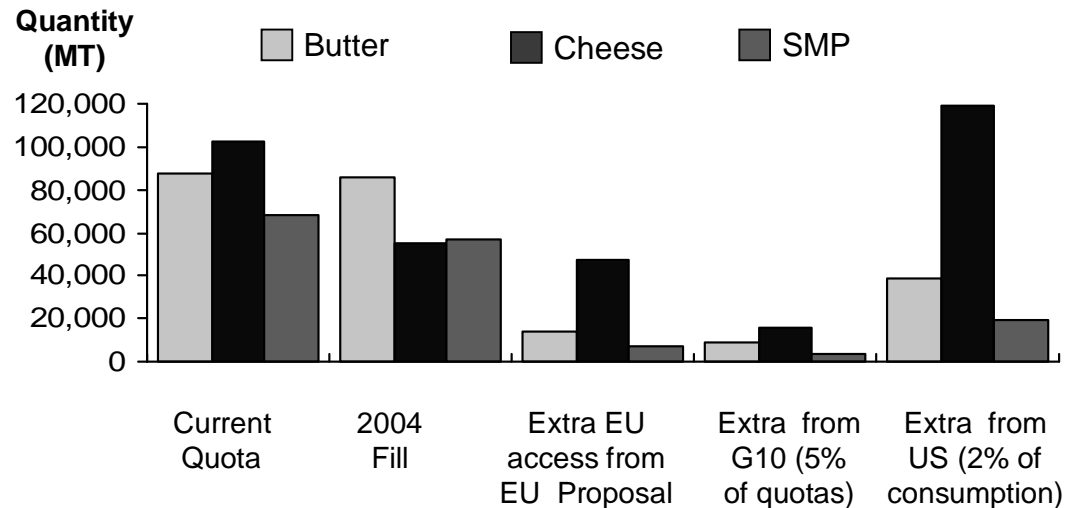
a. Volume of Tariff Quota Expansion

Dominant concern is the size.

Volume expansion must be:

- related to aggregate market measures - not just imports.
- larger TQs for wider deviations from general tariff formula.

EU Quota Access



The EU and G10 Sensitive Product Proposals offer very limited prospects for new trade

Underfill of existing quota further reduces new access

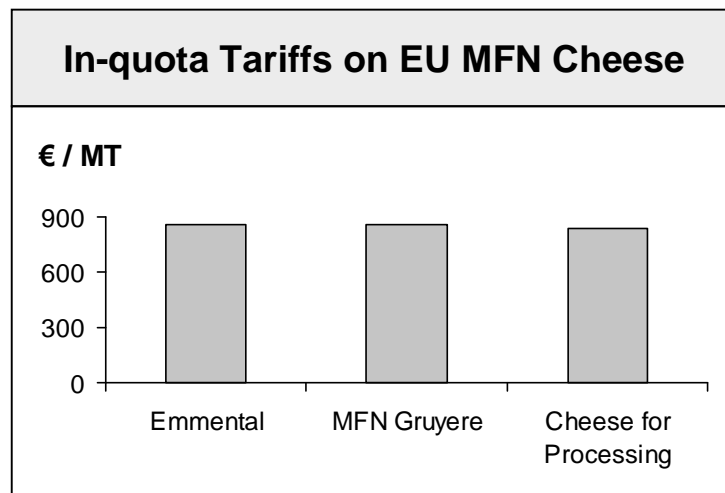
Current EU cheese quotas are only 1.7% of consumption



In-Quota Tariff Rates

b. In-Quota Tariff Rates - Price

- Limitation of quantity through quotas provides sufficient protection.
- Applying tariffs as well as volume limits frustrates the basic purpose of the quotas.
- There are major instances of in-quota tariffs hindering business under existing quotas.
- In-quota tariffs should be eliminated for all quotas – both existing quotas and those resulting from the DDR plus quotas outside Sensitive Products.



Almost all dairy access to developed markets is via quotas.

Levels of in-quota tariff have a major impact on the quality and profitability of dairy business.



Tariff Quota Administration

c. Tariff Quota Administration - Accessibility

Current arrangements are too loose and enable governments to frustrate both the access process and the trade benefits.

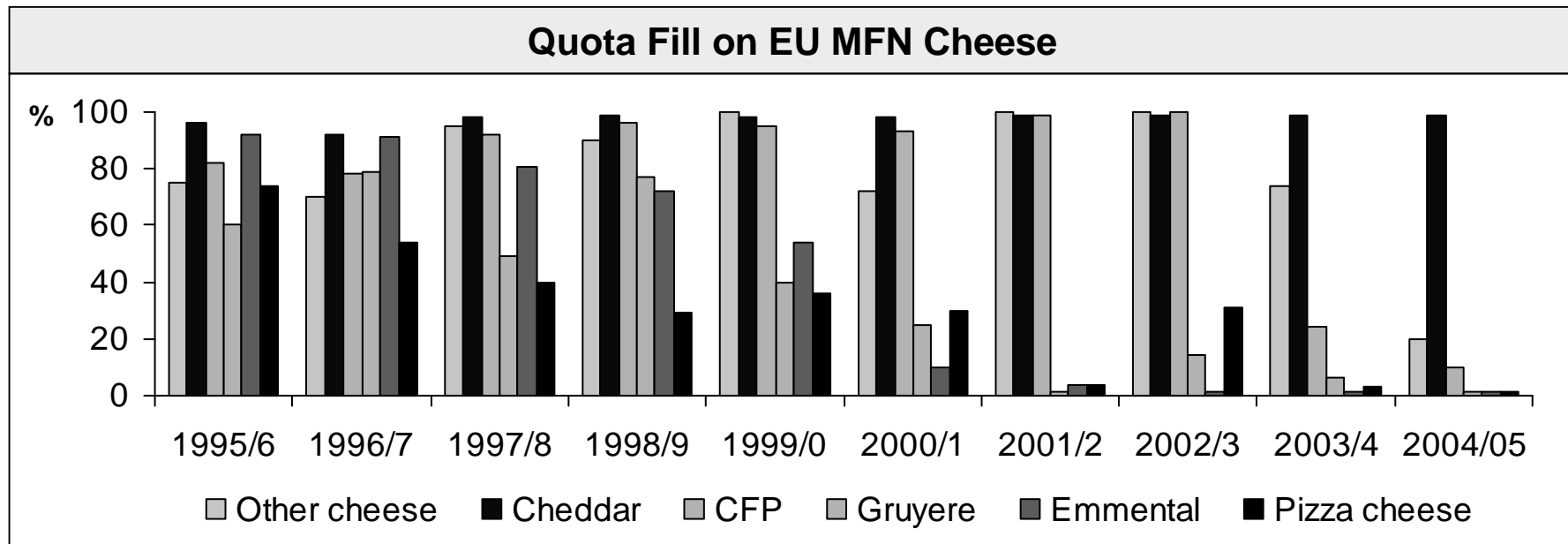
Requirements

- **Administration should facilitate, not limit, commercial trade.**
- **Provisions for dealing with underfill are essential.**
- **NO auctioning. This is simply a floating tax to frustrate the commercial process and should be specifically prohibited.**



Tariff Quota Administration

- The GDA supports the Australian proposal on tariff quota administration.
- Almost all dairy access to developed markets is via quotas.
- Therefore, TQ administration has a major impact on the quality and profitability of dairy business.





Special Agriculture Safeguard (SSGs)

- **The Doha Round will provide basic protection through agreed levels of tariffs.**
- **Provisions for sensitive products will provide further protections.**
- **Continued use of SSGs is a nonsense.**

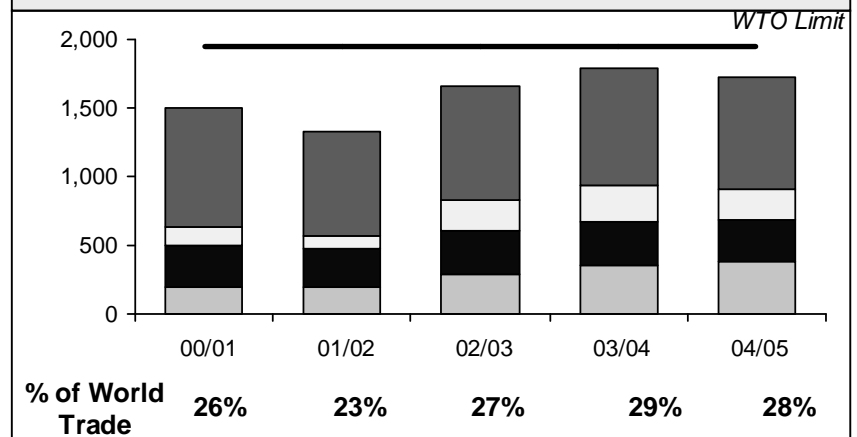
For dairy, SSGs are simply another (fourth) tier of defence for frustrating the commercial process



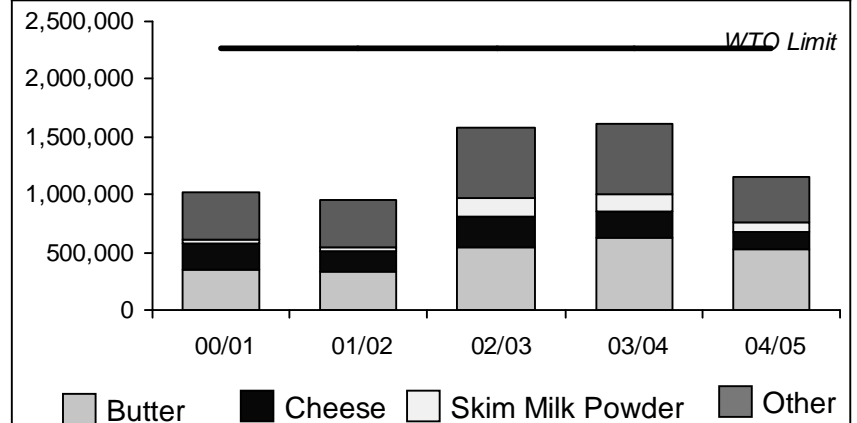
Elimination of Export Subsidies

- Elimination arrangements are critical to available benefits being harvested.
 - Front end loading to cover “water” in existing levels.
 - Cuts from existing use, not entitlements.
 - Elimination formula to apply equally to volume and value.
 - All products to be treated the same – no “carve out” for dairy.
 - Credit terms and credit insurance to be on fully commercial basis.
 - Stricter rules on food aid – no monetisation.
 - GDA supports G20/Cairns Group paper.

Quantity of EU Subsidised Exports ('000 MT)



Value of EU Subsidies ('000 €)





Special Products and Special Safeguard Mechanism (SSM)

- South-South trade is important for dairy.
95% of milk powder exports go to developing countries.

Therefore:

- Special Products is a flawed instrument which would limit South-South dairy trade.
- SSM should apply only in exceptional circumstances and be:
 - Based on both volume **and** price triggers.
 - A transitional measure limited to the implementation period
 - Limited to products receiving concessional treatment in the Doha Round.
- Tariffs under SSM should be capped at Uruguay Round bound tariff levels.
- Non-MFN trade should be excluded from trigger base level calculations



Geographic Indications

- **Attempt to expropriate rights to legitimately developed markets.**
- **Production outside Europe for many types of cheese exceeds the production in the original country of production.**
- **Could threaten several hundred thousand tonnes of trade.**
- **Would add major new complexity to TQ administration and customs entry.**

There is no need for GIs to be extended to dairy products



In Conclusion

- **The negotiations still offer an opportunity to improve access for and eliminate export subsidies.**
- **We do not want “Doha Lite”. No outcome is better than a weak outcome.**
- **There are some specific areas where significant improvements may create new dairy trade.**
- **The possibilities for commercial outcomes in dairy depend on the detail areas. The commercial worth of quotas depends on all of volume, in-quota tariff rate and administrative arrangements.**

**THANK YOU
FOR YOUR INTEREST**



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