

EXPORT SUBSIDIES

The Global Dairy Alliance strongly supports a process of elimination that provides early benefits to world dairy trade and prevents circumvention of the elimination process

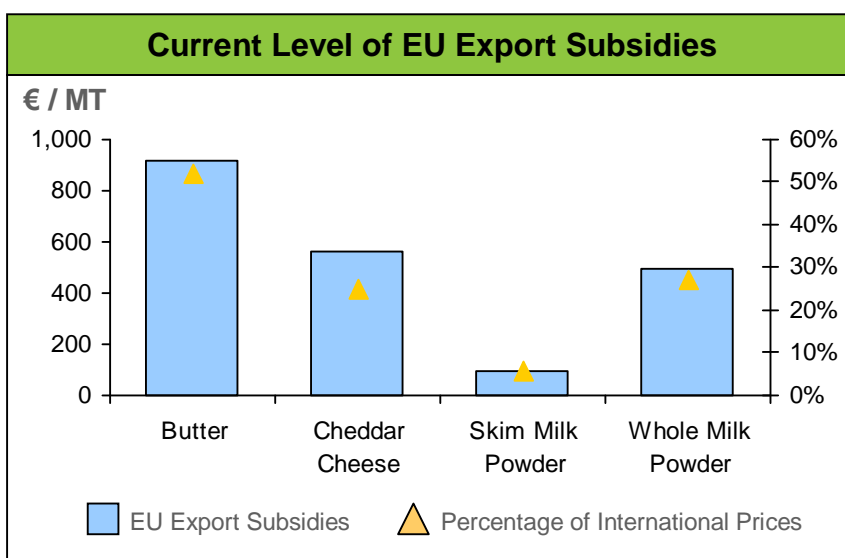
The Global Dairy Alliance Position

- An initial down payment and front loading of the phase out process
- At least 60% of the subsidies should be removed by 2010
- The formula must apply equally to both volume and value
- A simultaneous time frame applying to all products
- Current categories of products are maintained i.e. there is no aggregation of commitments
- Strong transitional disciplines are imposed to prevent circumvention

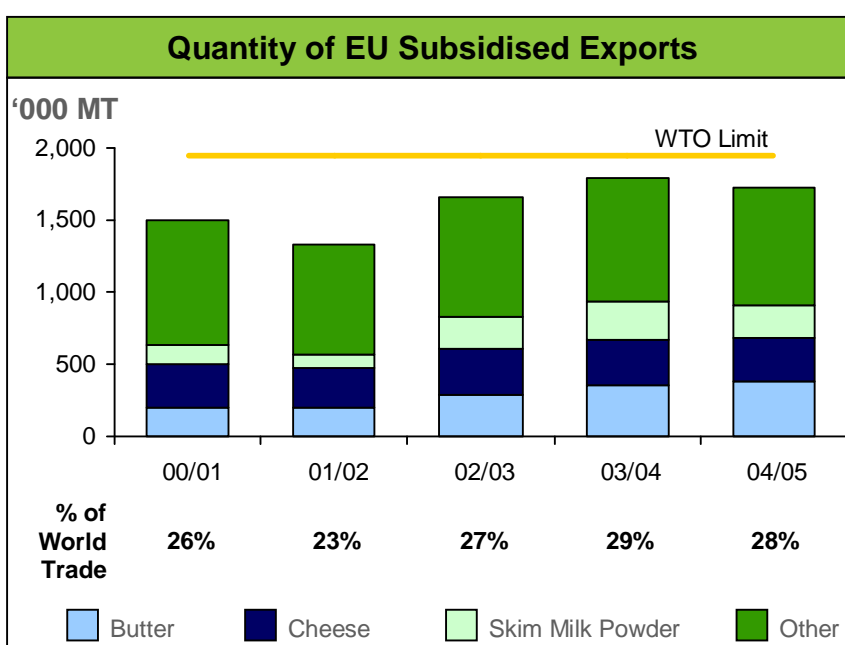
What's the Issue?

Export subsidies are a major influence in setting international dairy prices.

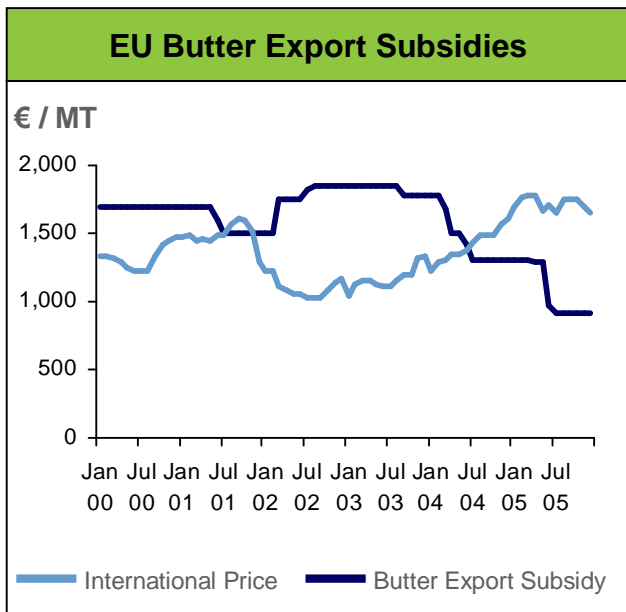
These subsidies often are a high proportion of prices. At present the EU export subsidy on butter is over 50% of the world price. For whole milk powder and cheese EU export subsidies are both over 25% of the price for internationally traded product.



Export subsidies have also artificially permitted the EU to maintain a major share of international markets. At present their share is around 30% and it exceeded 50% before the reductions in export subsidies in the Uruguay Round.



The lower prices resulting from export subsidies have had the effect of suppressing prices to exporters in both developed and developing countries and thus reducing returns to farmers. Inevitably export subsidies have limited the development of dairy industries in many developing countries.

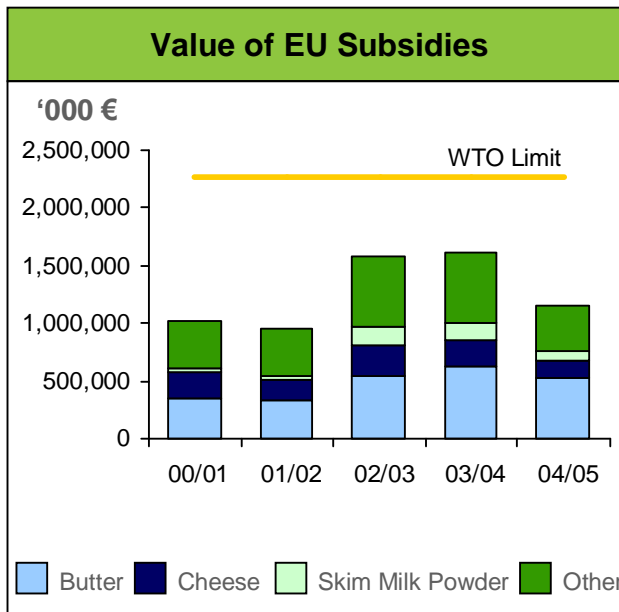


What's the Solution?

The GDA strongly supports a front loaded approach to reduction including an initial downpayment. Only then can the requirement for a “substantial part” of the reduction in the first half of the implementation period be realised. The GDA believes that “substantial”, in this case, should mean at least 60% by 2010.

Export subsidies are now controlled by both volume and value. This is an effective mechanism to limit the total amount of subsidised exports and the level of the subsidy itself. It is vital that the transition formula cover both elements as anything else significantly undermines the effect of the reduction process.

For example, a reduction formula based only on value limits would undermine the reduction process as the EU's WTO limits on value are comparatively high in relation to current usage.



Currently export subsidies are applied to a range of products with dairy being a major part of current expenditure. As dairy exporters the GDA do not want a reduction formula that discriminates among agriculture sectors or products. All sectors and products should have the same elimination formula.

For the GDA maintaining disaggregated commitments at product level is important. Any aggregation only reduces the impact of reduction and allows the cuts to be spread over several present categories.

Other key elements include:

- No roll over provisions between years for unused commitments
- Removing the use of component subsidies

Through these mechanisms export subsidies can be eliminated in a manner that provides significant initial reductions and removes the ability for circumvention of the commitment to elimination.