

GENERAL AGREEMENT ON

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TARIFFS AND TRADE

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International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL

Submission from the International Federation of Agricultural Producers (IFAP)

The annexed Report of the IFAP Group on Dairy Products has been received from the IFAP Secretary-General, with the request that it be brought to the attention of participants in the International Dairy Arrangement. It would be noted that the IFAP Report contains certain proposals concerning the International Dairy Arrangement, which the IFAP Group on Dairy Products has indicated that it would like to have an opportunity to discuss further.

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REPORT OF THE GROUP ON DAIRY PRODUCTS

Chairman: G. Smith

1. 42 representatives from 17 countries attended the 10th session of the Group on Dairy Products under the chairmanship of Mr. Grant Smith (Canada).

2. The Group was welcomed to Adelaide by Mr. Brian Hannaford, Chairman of the Australian National Committee of IDF.

World Market Situation and Outlook

3. In reviewing the world market situation, it was noted that reductions in output by most of the major dairy producing countries had led to a reversal in the upward trend in world milk production in 1987.

4. Significant declines in stocks for all dairy products and a subsequent strengthening of international prices, particularly for milk powder, led delegates to be cautiously optimistic for the short-term.

5. However, attention was drawn to the fact that continuing low concentrate feed prices, genetic improvements, and the considerable technical potential which exists to raise milk yields, could make the stabilisation of output much less certain in the medium term. This situation would be further aggravated by the possibility of no significant growth in demand for dairy products at world market level.

6. This highlighted the necessity for continued discipline in dairy production and trade.

National Policy Developments

7. 15 countries reported orally on policy developments in their national dairy sectors.

8. Many commented on the severe structural adjustments at both producer and processor level caused not only by policy-induced reductions in milk output, but also because of macro-economic factors and severely depressed world market prices for dairy products.

9. There was also deep concern about the widespread fall in butter consumption - in some cases as much as 9 per cent a year - often due to substitution by blended spreads of butter and vegetable

oil.

10. Discussion also centred on recent developments in trading arrangements and their implications for national dairy sectors. Consideration was given to GATT, and in particular Article XI, and, on a bilateral basis, the recently implemented US/Canada Free Trade Agreement.

11. Mr. Ross Ciaravolo (Australian Dairy Corporation) made a presentation on Australian dairy policy and recent market and structural developments in the Australian dairy sector.

Policy Statement

12. The Group had before it a statement of principles for policies to stabilize international dairy markets, prepared by the Ad Hoc Committee which the Group had set up following its last session in Toronto.

13. Participants expressed appreciation for the work of the Ad Hoc Committee, and congratulated it on the quality of its proposals. After discussion and amendment, the document presented by the Ad Hoc Committee was adopted as a statement by the Group, and is attached to this report.

Future of the Ad Hoc Committee

14. The Group felt that the Ad Hoc Committee had worked well since the Toronto meeting, and asked that it be maintained. Its mandate would be to follow up on the proposals contained in the statement adopted during the meeting and to report back to the next session of the Group.

Next Session of the Group

15. It was proposed that the Group try to arrange its next meeting to take place just prior to the IDF sessions in Copenhagen in September 1989.

Election of Officers

16. The Group unanimously elected as office holders for the period up to the next General Conference of IFAP:

Chairman: Mr. Grant Smith

Vice-Chairman: Mr. Jean-Claude Debaudre (France)

STATEMENT BY THE GROUP ON DAIRY PRODUCTS

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PRINCIPLES FOR POLICIES TO STABILIZE INTERNATIONAL DAIRY MARKETS

Introduction

1. Progress towards a better balance on world dairy markets has been hard won and will only be maintained and consolidated if the momentum is sustained. Where appropriate, further extension of supply management programmes should be encouraged. The impact of new technologies will have to be considered carefully. New and stricter discipline must be sought, introduced and adhered to. Market development activities must be stepped up.

2. In order to restore profitability to the dairy sector and to develop international trade in a more stable environment, milk producers worldwide urge the major dairying countries to co-operate, and to co-ordinate their dairy policies along the following lines.

Stock Adjustment Principles

3. International prices for butter, skim milk powder and other dairy products are strongly related to stock levels. World dairy stocks must not be allowed to accumulate again to excessive levels. When they threaten to do so, major dairying countries must commit themselves to action which will absorb their surplus stocks internally and reduce production to levels that match available market outlets.

4. Maximum stock levels necessary to meet normal market requirements, having regard to seasonality of supply and irregular fluctuations, should be worked out by the principal dairying countries that are parties to the GATT negotiations. There would be provision for periodic review, but these maximum levels should commit the countries concerned to indicate a programme of action for internal disposal if they are exceeded.

5. The GATT International Dairy Products Council should officially monitor the stock levels of the major dairy exporters and draw the attention of countries concerned to any excessive accumulation of stocks. Participants with an excess of stocks should be required to bring to the International Dairy Products Council proposals outlining how they intend to reduce them to more balanced levels.

Trade Policy

6. GATT rules covering international trade in dairy products need to be strengthened and adhered

to. In particular, GATT minimum export prices must be respected. All major dairying countries must be encouraged to join or re-join the International Dairy Arrangement, or undertake to comply with the disciplines which that Arrangement lays down.

7. Producers feel that with better market balance, GATT minimum prices for butter and skim milk powder should be raised to reflect better the cost of production in the major supplying countries. Account should be taken of the price of competing substitute products, and efforts concentrated towards continued increases in efficiency to remain competitive on world markets.

8. Progress towards higher world prices and a co-ordinated and balanced extension of supply management programmes would help considerably to reduce direct and indirect government subsidies on exports.

9. In reviewing and setting minimum export prices, the GATT International Dairy Arrangement should seek ways to minimise the effects of currency fluctuations.

10. While recognising the provisions of Article XI of the GATT, efforts must be made to move towards freer international trade in dairy products.

11. The International Dairy Products Council must make use of the provisions in the International Dairy Arrangement to consult and co-operate with a small advisory group set up under the auspices of IFAP. To achieve this objective, formal consultative status should be granted to IFAP. IFAP will consult IDF in the establishment of this advisory group.

Demand Expansion Policy

12. Promotion is essential to maintain and expand demand for dairy products. Milk producers should aim to contribute a minimum of 1 per cent of their returns from dairying on milk promotion. Special attention should be paid to product and nutrition research, product development, nutrition education, presentation and packaging, and identification of genuine dairy products. The benefits of this promotion must accrue to the producer. National legislation protecting dairy products from imitations is an important way to maintain and expand demand in those countries where it exists.

13. Producers call for an extension of the use of dairy products for development aid, particularly

for smallholder dairy development in the rural areas. Scope for this exists in the countries of Africa, Asia and Latin America. Such aid must, however, be carefully planned and managed, taking special care when food aid is given to countries that are usually supplied by other developing countries. Donors must guarantee security of supply.

14. The interests of domestic producers must be

protected and the development of the rural economy promoted. To ensure this, dairy food aid should be channeled through existing marketing and processing networks, or, where these do not exist, through appropriate local agencies. Furthermore, governments in recipient countries must ensure remunerative producer milk prices which provide an incentive to overall dairy development. Sufficient foreign exchange for investment in dairy plant and equipment must also be allocated.