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URUGUAY ROUND OPENS NEW EXPORT OPPORTUNITIES TO DAIRY FARMERS

The liberalization of trade in agriculture under the Uruguay Round will provide new export possibilities for dairy farmers worldwide, including a 50 per cent increase in market access opportunity for cheese products. At the same time, tariffication of quotas and other trade barriers as well as the substantial reduction in export subsidies will finally allow for more informed investment decisions in the dairy sector, considered to be one of the most "protected" of all industries.

These are among the findings contained in GATT's annual report¹ on the international dairy products market, published today. A special annex to the report, published separately, summarizes the Uruguay Round commitments on market access for dairy products and on subsidized dairy exports for 42 countries and the European Communities.

The annex notes that the Uruguay Round will expand export opportunities for dairy products through the phased reduction of tariffs and establishment of minimum import access levels (initially at 3 per cent of total consumption, rising to 6 per cent after six years). Regarding reduction in export subsidies, the actual decrease will be higher than the required 21 per cent because exports of dairy products have risen after the reference period (1986-1990), particularly for cheese. The Uruguay Round provisions for the reduction of certain types of domestic agricultural support programmes should complement the policies already in place in many dairy producing areas, like the European Communities, the Nordic countries and Canada.

¹*The World Market for Dairy Products 1994 - Fifteenth Annual Report and Special Annex; Summary of the Results of the Uruguay Round in the Dairy Sector* are available in English, French and Spanish from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21, Switzerland, SwF 25 and SWF 15, respectively.

The main report tracks down recent trends in the production, trade and consumption of dairy products. Highlights include:

- World production of milk continues to decline in 1993 and 1994. Production of all types of milk decreased by 1 1/2 per cent to 515 million tons in 1993. Production continued to decline throughout Europe. In the European Communities and other Northern and Western European countries, modest declines resulted from government policies to reduce production. There were steeper drops in dairy production in most of the Central and Eastern European countries and the former Soviet Union. On the other hand, as a result of favourable weather, good herd conditions and increased supplemental feeding, Australian and New Zealand production in their 1993/94 dairy seasons reached record levels.
- World production of skimmed milk powder decreased by 1 1/2 per cent in 1993, and is expected to decline further by 4 per cent in 1994. Production of whole milk powder decreased slightly in 1993. World market prices of both milk powders declined significantly in 1993, but recovered somewhat during the first half of 1994. Exports of skimmed milk powder returned to their declining trend in 1993, whereas those of whole milk powder increased.
- World production of butter and butter oil continued its long-term diminishing trend in 1993. World consumption also continued to decline, although this trend seemed to be levelling off in a number of countries. Prices for butter and butter oil declined further in 1993, and sales of butter below the minimum price level were frequently reported. Exports of butter continued to decline.
- In May 1994, the Committee of the Protocol Regarding Milk Fat suspended the minimum export prices for butter and anhydrous milk fat for a period of up to 12 months. World market prices for butter and butter oil will be kept under review, to permit re-introduction of an appropriate minimum price level as soon as feasible. Following the suspension, butter prices have remained relatively steady, but trade volumes have been very low.
- World cheese production continued to expand in 1993, encouraged by the continuing rise in demand. Prices for Cheddar cheese remained relatively high throughout 1993 and the first half of 1994. With demand for cheese growing more rapidly than production, high price levels and continuing export growth are expected to be sustained in the near future.

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Note to Editors:

The International Dairy Arrangement came into operation on 1 January 1980 - one result of the Tokyo Round. It will be replaced by the International Dairy Agreement, one of the plurilateral agreements under the World Trade Organization.

The objectives of the Arrangement are: to achieve the expansion and ever-greater liberalization of world trade in dairy products under market conditions as stable as possible, on the basis of mutual benefit to exporting and importing countries; and to further the economic and social importance of milk and dairy products to many countries. The need to avoid surpluses and shortages and to maintain prices at an equitable level was recognized.

These objectives are pursued through the activities of the International Dairy Products Council and the Committees of the Protocols. Three Protocols are annexed to the Arrangement: the Protocol Regarding Certain Milk Powders, the Protocol Regarding Milk Fat and the Protocol Regarding Certain Cheeses. Under the provisions of these Protocols, minimum export prices have been established for skimmed milk powder, whole milk powder, buttermilk powder, anhydrous milk fat, butter and certain cheeses.

Participants have agreed to take the steps necessary to ensure that these minimum export price provisions are complied with. The Committees make quarterly reviews of the application of the provisions of the Protocols by participants, notably their observance of the minimum export prices. Under specific circumstances, the Committees may grant derogations from the minimum export price requirements. The Council makes an evaluation of the market situation twice a year based on background documentation prepared by the Secretariat and reviews the functioning of the Arrangement.

The Arrangement has 16 participants: Argentina, Australia, Bulgaria, Egypt, the European Communities (and its twelve member States), Finland, Hungary, Japan, New Zealand, Norway, Poland, Romania, South Africa, Sweden, Switzerland and Uruguay.

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