"Dear Mr. Ambassador,

I am writing to you in my capacity as Chairman of the International Dairy Arrangement. At recent International Dairy Arrangement meetings, it was noted that the United States had adopted a new dairy export incentive programme. Offers subsequently made under this programme of substantial quantities of fresh butter, non-fat dry milk, whole milk powder and Cheddar cheese and other cheese to a number of countries have caused serious concern among other exporters to these markets, whatever the nature of their individual trading policies. The initiative comes at a time when the world market for dairy products, after a considerable period of stress characterized by depressed prices, has at last shown some recovery with the further potential for some price improvement. Given these circumstances the United States initiative has had the effect of creating an additional source of uncertainty in the market place and an expectation of further disruption to international dairy products markets and depression of prices as a result of the substantially increased quantities of subsidized product which will become available.

As you may be aware, in withdrawing from the International Dairy Arrangement, the United States made it quite clear that while it intended to remain competitive, it would not seek to disrupt international trade in and prices for dairy products. It has, however, been noted that the prices included in the announcement of the United States dairy export incentive scheme do not reflect current world prices, notably in respect of non-fat dried milk. While I am aware that the world price to be used for determining CCC bonuses for NFDM under the scheme have since been adjusted upwards, they still lag behind current world market quotations. In the view of a number of participants to the International Dairy Arrangement, the dairy export incentive programme has at least the potential whereby United States actions would not be consistent with United States undertakings referred to above.
Among the more important functions of the International Dairy Arrangement is a requirement to monitor developments in the world market for dairy products. As a first step towards improving the understanding of all participants in the International Dairy Arrangement of the operation of this recent programme, it would be greatly appreciated if the United States could provide information on its offers and sales of dairy products to the secretariat of the International Dairy Arrangement, in writing or otherwise.

I would be most grateful, Mr. Ambassador, if you could bring these concerns to the attention of your authorities.

I remain, dear Mr. Ambassador,

Yours sincerely,

Tim Groser
Chairman
International Dairy Products Council"