

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

Spec(90)13/Add.1

1 May 1990

---

International Dairy Arrangement

### INTERNATIONAL DAIRY PRODUCTS COUNCIL

#### TWENTY-SECOND SESSION

##### Draft Report

Chairman: Mr. J.P. Buda

##### Addendum

##### Submission by Australia

It is suggested that paragraph 26 should read as follows:

26. The Australian representative expressed disappointment over the recent increases in Community export refunds for dairy products including butter and butter oil and he noted that this action compounded the problems caused by the relaxation of Community milk delivery quotas late last year. These actions had reduced the buffer between world market prices and the agreed minimum export prices. He argued that lower Community export subsidies were now needed to improve the world dairy market situation and he called upon the Community to review its position and reduce its export refunds. He noted that the need for action by the European Communities in reducing support levels was heightened by the fact that the Community accounted for over 50 per cent of the international trade in dairy products. The Australian representative also anticipated that developments in the United States might have a destabilizing effect on world dairy markets, notably subsidized export sales of butter, in a situation where the domestic United States market remained isolated from the world market. He noted that United States milk fat exports were expected to double in the near future and that this would create problems for efficient producers such as Australia. He also referred to a number of uncertainties regarding the

./.

USSR and Eastern European markets which could impact adversely on the international dairy market. He noted that the Japanese cheese market was likely to remain subdued in the near future and that import prices had come under pressure lately from European Community traders. He made an appeal to the Community not to further distort the Japanese market. In regard to the Community representative's concern over a particular butter sale by New Zealand to the USSR, the Australian representative argued that such concern was totally misplaced. He noted that an efficient producer such as New Zealand would always sell to what the market could bear, whilst the distortions to international prices could be traced to high levels of output-based support, with the recent change to Community export refund levels being one example.