

PRESS/26
18 October 1995

WTO DAIRY COUNCIL SUSPENDS MINIMUM EXPORT PRICES FOR ALL DAIRY PRODUCTS

The WTO International Dairy Council has suspended the minimum export prices for skimmed, whole and buttermilk powders, butter and butter oil, and cheese, effective from noon today, 18 October. Having suspended the operation of the Annex to the International Dairy Agreement, the parties to the Agreement are now free to sell dairy products below the previously established floor prices. These floor prices were, respectively, (per ton, f.o.b.): US\$1,200 for skimmed milk powder; US\$1,250 for whole milk powder; US\$1,200 for buttermilk powder; US\$1,625 for anhydrous milk fat (butter oil); US\$1,350 for butter; and US\$1,500 for cheese.

The International Dairy Agreement is one of the four plurilateral agreements resulting from the Uruguay Round negotiations. Unlike the other WTO agreements, membership in the plurilateral agreements is limited to those governments which have explicitly accepted them. The International Dairy Agreement is a slightly modified successor to the International Dairy Arrangement, which had been in effect since 1980. However, due to expectations that the results of the WTO Agreement on Agriculture will address some of the concerns which initially led to the establishment of the International Dairy Agreement, and the fact that emerging technologies have opened other avenues for information exchange, a number of members of the previous Dairy Arrangement decided not to join the new International Dairy Agreement. The new Agreement currently has 12 signatories (the European Community counting as one), not all of which have yet fully ratified their acceptance.

The International Dairy Council considered that the limited membership in the Agreement, and in particular the non-participation of some major dairy exporting countries, made the operation of the minimum price provisions untenable. The minimum prices have been suspended until 31 December 1997. The International Dairy Council will continue to review the world market situation for dairy products at its regular meetings.

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Note to Editors:

The International Dairy Agreement entered into effect on 1 January 1995. It replaces the International Dairy Arrangement, which had operated since 1980. As of 16 October 1995, the following were parties to the International Dairy Agreement: Argentina, Bulgaria, the European Community (15), Japan, New Zealand, Norway, Romania, Switzerland and Uruguay. Brazil, Chad and Hungary have signed the Agreement but not yet ratified their membership.

The primary objectives of the Agreement, like its predecessor, are to advance the expansion and liberalization of world trade in dairy products under as stable as possible market conditions, on the basis of mutual benefit to exporting and importing countries, and to further economic and social development in developing countries. In adopting these objectives, the economic importance of milk and dairy products to many countries was recognized, as well as the need to avoid surpluses and shortages and to maintain prices at an equitable level. An International Dairy Council and a Committee on Certain Milk Products were established to administer the Agreement. Previously three Protocols were annexed to the International Dairy Arrangement; under the International Dairy Agreement these have been combined into a single Annex on Certain Milk Products.

The Annex establishes minimum export prices for skimmed milk powder, whole milk powder, buttermilk powder, anhydrous milk fat, butter and cheese. The minimum export prices are fixed for defined pilot products and take into account the current market situation, dairy prices in participating producing countries, the need to ensure equitable prices to consumers, and the desirability of maintaining a minimum return to the most efficient producers in order to ensure stability of supply over the longer term. The Decision of the Council on 17 October 1995 suspended the operation of the Annex, thus the minimum price provisions. Minimum export prices for particular products (butter and butter oil) have been suspended in the past for limited periods of time.

The Decision by the Council also suspended the operation of the Committee, whose function was to review the application of the Annex. The Council will continue to make an evaluation of the market situation twice a year based on background information prepared by the WTO Secretariat and review the functioning of the Agreement.

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