



Australian Dairy Industry Council Inc.

29 September 2016

The Hon. Stuart Robert MP
Chair
Joint Standing Committee on Treaties
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Chair,

Submission by the Australian Dairy Industry Council (ADIC) on Amendment of Australia's Schedule of Concessions under GATT and the WTO: Ministerial Decision - Export Competition (Nairobi, 19 December 2015).

The ADIC co-ordinates industry policy and represents all sectors of the industry on national and international issues through its two constituent bodies; Australian Dairy Farmers Ltd (ADF) and the Australian Dairy Products Federation (ADPF). The ADIC aims to foster, promote and protect the interests of the Australian dairy industry by driving a whole of industry approach to dairy policy.

The ADIC is fully supportive of the Nairobi Ministerial Decision to eliminate export subsidies as it can lay the foundation for a more market oriented dairy product trading system.

The Export Competition Decision commits Australia to removing its remaining export subsidy WTO entitlements to the value of \$88 million. The practical impact for the dairy industry is zero as it has not used export subsidies since 1999-2000 when \$3.7 million was allocated.

The dairy industry has advocated for many years for the removal of export subsidies, noting that two of the four largest exporters, the European Union and the United States have utilised taxpayer funded schemes as recently as 2009.

While the Nairobi Ministerial Decision is positively received by the ADIC, we would note that the United States will continue to be able to subsidise exports via its privately funded 'Cooperatives Working Together' (CWT) scheme. Under the CWT, Dairy farmers supplying participating cooperatives pay a levy monthly that cumulatively adds up to approximately US\$60 million per annum. CWT subsidised US cheese exports have displaced Australian origin including in the Industry's most valuable market Japan and can also lead to commodity price suppression and trade diversion. The CWT scheme, in place until at least the end of 2018, is flouting both the spirit and intent of the Nairobi decision.

It is also worth noting that the EU remains a highly protected and distorted market for dairy with high tariffs, a complex tariff regime and continued existence of Tariff Rate Quotas.

Even with ongoing Common Agriculture Policy (CAP) reforms, the EU dairy industry continues to benefit from government sponsored market support such as stockpiling (intervention and 'private and storage aids') and aid packages to the value of €500 million in 2016 the majority of which is targeted at dairy farmers (approximately \$750 million). EU farmers still derive a significant percentage – around 20% – of their income from subsidies (as per OECD calculated Producer Support Estimate for the EU).

The ADIC further notes that the Ministerial decision allows Canada to continue to subsidise dairy exports until the end of 2020. Canada's uncompetitive milk quota (supply managed) system has created a large and growing structural surplus of milk proteins resulting in a long history of utilising non-tariff barriers to trade to protect their domestic market and also to subsidise exports, especially skim milk powder in contravention of their Uruguay Round Agreement on Agriculture (URAA) commitments.

The Nairobi ministerial decision was a catalyst for development of a Canadian ingredients strategy, scheduled for implementation on 1 November 2016. The national scheme by subsidising the price of quota milk to Canadian based processors at the prevailing commodity level, and well below their cost of production, aims to displace imports including of Australian origin milk protein concentrate. The ingredients scheme also carries the potential for subsidising exports of dairy products and foods containing a high value of dairy ingredients that could lead to circumvention of Canada's URAA commitments and in effect perpetuate subsidisation of exports beyond 2020.

If you wish to discuss this submission please do not hesitate to contact David Losberg, Senior Policy Manager, Australian Dairy Farmers on (03) 8621 4200 or dlosberg@australiandairyfarmers.com.au.

Yours sincerely,

David Basham
Acting Chair