

**Press Release**

**October 8, 1994**

**Sydney, Australia • Auckland, New Zealand • Washington, D.C.**

**The International Policy Council on Agriculture, Food and Trade  
Declares Dairy and Sugar Policy Reforms  
Imperative and Inevitable**

As countries around the world prepare to approve and implement the Uruguay Round Agreement, the International Policy Council on Agriculture, Food and Trade (IPC) is troubled that the Agreement has left dairy and sugar policies virtually untouched. Because of the high level of support and the type of protection afforded dairy and sugar producers in many countries, trade in these products is the most distorted of all the major food and agricultural commodities. World dairy and sugar prices are artificially low, consumers are forced to finance these price-distorting policies through high domestic prices, and producers in countries that do not support their markets -- particularly many developing countries -- are denied the opportunity to compete fairly and advance their economies.

The Uruguay Round Agreement will have, at best, a limited effect on production, consumption and global trade in dairy and sugar in the coming years. However, political changes, consolidation and restructuring, technological developments, competition in high value added products, and trends in global marketing and investment will make current dairy and sugar policies unsustainable. These forces, together with subsequent trade negotiations, will make policy reform inevitable.

As import tariffs and export subsidies are further reduced and market access expanded, countries will be faced with a choice: they can either continue to insulate their producers and processors from the world market -- leaving them to supply a declining share of their present outlet -- or they can implement policies that will encourage their producers and processors to compete in a growing global market.

The International Policy Council believes that the reforms begun under the Uruguay Round must be continued in subsequent trade negotiations, and that dairy and sugar reforms should follow the direction of reforms underway in the grains and oilseeds sectors.

The certain transition to more open and competitive markets will be arduous and painful. If the problems of transition are to be eased, countries must begin to consider and discuss these issues now. The Council, in cooperation with other organizations as appropriate, is prepared to facilitate discussions on dairy and sugar policy reforms by providing a forum for those involved in the production, processing and marketing of sugar and dairy products with the aim of developing viable and workable policies.

.....

The International Policy Council was founded in 1987 to help devise sensible, long-term solutions to problems in the trade of agriculture and food products. Its 32 members are farm leaders, agribusiness executives, former government officials and academics from 22 countries.

**Contacts:**     **Peter G. Lacy, Executive Director, IPC**             **T: (202)328-5117**  
                  **Michael Shanahan, Board Member, IPC**           **T: (61)3-605-040**  
                  **Brian Chamberlin, Member, IPC**                 **T: (64)9-294-8413**

**Background**

Most developed country governments provide support to dairy and sugar producers through a system of high producer prices and import quotas. The resulting surpluses are exported using subsidies. The Uruguay Round Agreement will require governments to convert border controls into tariffs, and reduce the tariffs over a six-year period. Governments must also decrease a minimum level of access to their markets.

Under the Uruguay Round Agreement, the resulting tariffs on dairy and sugar products are so high, and the required reductions in tariff levels so modest, that imports will remain uncompetitive. The required cuts in export subsidies will merely prevent the world market from deteriorating further and may improve world markets in certain products, but will force the protected countries to change their policy regimes. As a result, over the six years covered by the Agreement, there will be limited pressure for countries to fundamentally reform their dairy and sugar policies.

There are other pressures coming to bear on the dairy and sugar sectors. In sugar, the present balance in the world market could easily be upset should Russia, Ukraine or the eastern European countries regain their productive capacity, or should the political situation in Cuba change. In either case, the preferential arrangements of the European Union and the United States with certain with certain developing country sugar growers will be put at risk. The repercussions for the economies of those countries which have benefited from these preferential arrangements need to be addressed.

The growing consumption of alternative sweeteners such as high fructose and non-nutritive sweeteners, as well as research on new substitutes for sugar, will continue to pressure the international sugar market. Moreover, the Uruguay Round Agreement will expose sugar-containing products to greater international competition. Imports of these products will be hard to control and will put pressure on domestic sugar industries. Similarly, in dairy, the Uruguay Round Agreement will allow more trade in some highly processed products. Imports of processed products will put pressure on domestically marketed milk.

Finally, advances in dairy and sugar technology are allowing efficient farmers in unprotected markets to become even more productive and competitive. Farmers who hide behind protective barriers and do not improve their productivity and lower their costs will be at a serious disadvantage both at home and abroad. In both the sugar and dairy industries, the competition for investment capital will also pressure domestic producers to supply processors with competitive raw materials.

The International Policy Council (IPC) recognizes that existing dairy and sugar policies have created unique challenges for those sectors. By providing a protected market, existing policies have led to higher land prices and large investments in processing and refining facilities. Any reforms should take into account the investments made by farmers and firms and should include a plan to help restructure these investments. Finally, the IPC believes that the developed countries have a special responsibility to reform their regimes. In particular, sugar policies discriminate against developing countries who face lower and more volatile prices as a result. Until the developed countries take the lead in reforming their policies, developing country farmers will continue to suffer lower incomes and returns.

**Press Release**  
**October 8, 1994**  
**Washington, D.C.**

**The International Policy Council on Agriculture, Food and Trade  
Assesses the Challenges of the Asian Food Markets**

The countries of Asia are facing a great challenge to satisfy their own demand for agricultural and food products, creating significant opportunities for farmers and processors from Australia, New Zealand and other exporting countries. This was the key message of a seminar entitled *Meeting the Challenges of the Asian Food Markets*, which was hosted by the International Policy Council on Agriculture, Food and Trade (IPC) in Sydney, Australia on October 7, attended by representatives from agribusiness, government, the services and consultant industries, as well as by farm leaders.

Asia now represents the most dynamic region for food exports, and is expected to continue to do so as its rapid pace of industrialization progresses and its growth in population outpaces its self-sufficiency in food products. Continued liberalization of Asian markets is essential to maintain strong growth rates in the region, and will ensure a very positive economic future for the region as a whole. To respond to these market opportunities, the IPC seminar stressed the need for businesses to become more familiar with the Asian markets and to provide products which suit the consumer tastes not only of the individual countries but also of the separate regions within each country. While the preferences for traditional diets will continue, the increasing demand for convenience foods and other alternative products point to an exciting and challenging future for food exports to the Asian region.

In its Plenary Meeting, the IPC called for prompt action by the contracting parties of GATT in ratifying and implementing the Uruguay Round Agreement. The IPC declared its intentions to monitor the implementation of the Agreement, in accordance with the commitments made during the GATT negotiations, and also the establishment of the Agriculture Committee to be set up under the World Trade Organization (WTO).

The IPC, in coordination with international industry representatives from the sugar and dairy industries, has just completed a review of these industries, covering the national policies and multilateral negotiations which affect their ongoing requirements. The IPC believes that the reforms begun under the Uruguay Round must be continued in subsequent trade negotiations, and that dairy and sugar reforms should follow the direction of reforms undertaken in the grains and oilseeds sectors.

For additional information on the seminar, contact Peter Lacy of the IPC by telephone at (1)202 328-5117 (USA), Michael Shanahan at (61)3-605-040 (Australia), or Brian Chamberlin at (64)9-294-8413 (New Zealand). The International Policy Council is an independent non-profit which was founded in 1987 to help devise sensible, long-term solutions to problems in the trade of agricultural and food products. Among its 32 members are farm leaders, agribusiness executives, former government officials and academics from 22 countries.