U.S. Dairy Exports Set Another Record in 2008

By Rob Blaufuss, IDFA Economic Analyst

Strong world dairy prices and continued high demand levels for U.S. dairy products led to another record-setting year in 2008, in both total value and total quantity traded. The value of 2008 dairy exports was $3.75 billion, up 26 percent over 2007. Total volume of non-fluid products traded rose 13.4 percent over 2007, to reach just over 3 billion pounds. The trade balance for U.S. dairy products increased from $174 million in 2007 to $706.8 million in 2008.

Nonfat dry milk exports constituted the largest total export volume at 862.8 million pounds, up 52.7 percent over 2007. Although dry whey exports declined 17.5 percent over year-ago levels, they were still the second highest exported dairy product with 772.4 million pounds exported. Lactose exports increased by 9.4 million pounds, making them the third most exported dairy product in 2008. Rounding out the top five were other dairy products, such as infant formula, albumin and malted milk (282.8 million pounds), and cheese and curd (289.8 million pounds).

Nonfat dry milk was also the main driver in terms of total dairy export dollar sales, accounting for $1.38 billion, or 37percent of total export value. Cheese and curd exports were the second largest source of dairy export revenue in 2008, up 46.8 percent over 2007 to $569.8 million. Dry whey ($514.5 million), other dairy products ($443.1 million), and butter and milk fat ($271.7 million) rounded out this top five.

Mexico and Canada remained the largest purchasers of U.S. dairy products in 2008. These two countries purchased significant amounts of nonfat dry milk, cheese and other dairy products. The Philippines imported $210 million in dairy products, followed closely by Indonesia ($209.2 million). Japan rounded out the top five by importing $208 million worth of dairy products. These five countries alone accounted for 52 percent of the total dairy export revenues in 2008.

While total exports far outpaced total imports for the year, that trend changed in recent months. In December 2008, total imports were $115.8 million more than total exports, or 57.4 percent higher. As a whole, total export revenue in December 2008 was 34 percent lower than December 2007 export revenue, or $104.3 million.

2007 and 2008 Total U.S. Dairy Exports/Imports

	Quantity		Value	
	2007	2008	2007	2008
EXPORTS				
Fluid Products	*(million gallons)*		*(million dollars)*	
Fluid Milk and Cream	12.2	13.3	38.1	42.4
Fluid Whey Product	1.0	0.3	4.6	1.5
Other Fluid Dairy	2.5	4.1	17.9	32.8
Non-Fluid Products	*(million pounds)*		*(million dollars)*	
Condensed and Evaporated Milk	61.0	43.4	45.3	42.8
Non-Fat Dry Milk	568.4	862.8	836.2	1380.0
Dry Whole Milk and Cream	46.0	89.2	40.7	105.0
Yogurt and Other Fermented Milk	11.2	12.5	46.4	49.5
Butter and Milkfat	89.6	200.1	111.6	271.7
Ice Cream	56.8	55.9	57.9	57.4
Cheese and Curd	219.2	289.8	388.0	569.8
Casein	11.2	14.3	40.1	61.7
Dry Whey	936.6	772.4	671.6	514.5
Lactose	400.0	409.4	303.8	182.8
Other Dairy Products	277.2	282.8	374.3	443.1
Total Fluid Exports (million gallons)	225.2	252.5	60.6	76.7
Total Non-Fluid Exports (million pounds)	2677.2	3032.6	2,915.9	3,678.3
Total Export Value			**$2,976.5**	**$3,755.0**
Total Fluid Imports (million gallons)	2.1	1.9		
Total Non-Fluid Imports (million pounds)	1,778.6	1,611.5		
Total Import Value			**$2,802.5**	**$3,048.2**

# # #

MARIANN FISCHER BOEL
MEMBER OF THE EUROPEAN COMMISSION

PETER MANDELSON
MEMBER OF THE EUROPEAN COMMISSION

Brussels, 24-09-2008
D/896 CAB-D/

Your Excellencies, Dear Susan and Ed!

During the past years we have closely followed the procedure of enacting the Farm Bill into law and we are worried about the fact that again a discriminatory Dairy Import Assessment was included in this large package despite our concerns about this unfair provision.

In a letter to several Congressmen and Senators dated 10/10/2007 (copied to you), Commissioner Mariann Fischer Boel expressed the Commission's concerns about the Dairy Import Assessment and urged the Congress not to put this new trade irritant into place.

In order to avoid any misunderstanding we would like to underline that we do not object to programs promoting the consumption of milk. We have such programs within the EU and we do think that milk and milk products can contribute to a healthy and balanced diet.

Nevertheless we have to draw your attention to the details of the Dairy Import Assessment that provides different treatment for domestic and imported dairy products to the USA. Even though domestic producers have to pay a higher rate they have the possibility to divert up to 2/3 of it into state, local or regional promotion programs which results in a requirement to pay into the national program only 5.0 cents per hundredweight of milk, while exporters to the USA have to pay 7.5 cents per hundredweight of milk.

This way of financing your National Dairy Promotion and Research Program is clearly less favourable towards imported dairy products than it is for domestic products.

Additionally this program focuses on the promotion of fluid milk and cheese, products which are not exported from the EU to the US or only in limited numbers under the cheese TRQ arrangement. One of the most striking examples of how imports would be discriminated is the Real Seal Program, which is supported by the promotion program but only available for domestic products. Finally, casein, one of the main dairy products imported by the US, would be subject to the dairy assessment while being used mainly in products which are not perceived and advertised as dairy products.

We know that the USA is strongly committed to the trade rules established by the WTO. Article III of the General Agreement on Tariffs and Trade requires that the treatment for imported products should be no less favourable than that of national origin.

Ms Susan Schwab, United States Trade Representative

Ed Schafer, United States Secretary of Agriculture

As this provision already existed in a slightly different version in the 2002 Farm Bill but was contingent on its consistency with international trade obligations of the Federal Government, your administration wisely decided not to implement it.

This year, the managers have made clear that they expect the Administration "to ensure that any action taken pursuant to this section is consistent with the bilateral, regional and multilateral trade obligations of the Federal Government" (page 18 of the joint explanatory statement of the committee of conference). For the reasons detailed above, it is our strong view that several components of the dairy import assessment are inconsistent with international obligations of the US and we therefore urge you to repeat this non-implementation approach and to avoid discriminating against imports and making trade more difficult in the future.

Yours sincerely,

Mariann Fischer Boel

Peter Mandelson

EUROPEAN UNION
DELEGATION OF THE EUROPEAN COMMISSION
Head of Delegation

Washington, 12 March 2008
D/303

The Honorable Tom Harkin
Chairman
Committee on Agriculture, Nutrition and Forestry
United States Senate
Washington, DC 20510

Dear Chairman Harkin,

I was very pleased to see that the dairy promotion and research assessment was not extended to imported dairy products in the Senate version of the Farm Bill and I would like to thank you and the other members of the Senate for your leadership on that issue.

As you know, however, the House version of the Farm Bill took an opposite direction and does, in fact, expand the dairy assessment to include imports. As discussions are ongoing to draft a final Farm Bill, I would like to remind you of the serious concerns expressed by Mrs. Marian Fischer Boel, Member of the European Commission in charge of agriculture, in her letter to you dated 10 October 2007. She noted that the EU considers the measure concerned to be "unfair... and if adopted, [it would] discriminate against imported products", raising "important WTO compliance concerns".

In her letter, Commissioner Fischer Boel pointed out several areas of concern for the EU, including the use of the program's budget to promote cheese and fluid milk even though fluid milk is not imported and the U.S. cheese market is constrained by tariff rate quotas; and the imposition of the fee on imported dairy-derived ingredients used in the manufacture of food products that are not marketed and sold as dairy products.

Those concerns would remain unchanged even if imported dairy products were subject to a reduced fee. I would therefore urge you to maintain the position adopted by the Senate at the end of last year and ensure that the final Farm Bill does not include the extension of the dairy assessment to imported products.

Sincerely,

John Bruton
Ambassador

2300 M street, NW Washington DC 20037-1434 Telephone : (202) 862-9500 / Fax (202) 429-1766

6 August 2008

US/NZ/1/5/2

The Honourable Ed Schafer
Secretary of Agriculture
United States Department of Agriculture
Office of the Secretary
Jamie L Whitten Federal Building
1400 Independence Avenue, SW
Room 200-A
Washington, DC 20250

Dear Secretary Schafer

I am writing concerning the possible extension of the dairy assessment to imported dairy products in the 2008 Farm Bill.

I have written previously to Secretary Johanns about this issue, and you will recall that our Minister of Trade Phil Goff raised it with you during your meeting on 9 June 2008. The New Zealand Government, and our dairy industry, are concerned that taxing imported products to fund domestic promotion from which they cannot benefit is fundamentally unfair.

The New Zealand Government retains a number of concerns regarding the implications of the proposed measure for the United States' commitments under the WTO Agreements. For example, the measure will discriminate against New Zealand imports of dairy products into the United States. This is because while the current domestic dairy assessment is imposed on fluid milk produced in the United States, the new proposal would also apply to imported processed dairy products (such as cheese, butter, and casein), which are not "like" fluid milk within the terms of relevant WTO Agreement provisions. In addition, the rate of assessment for imported dairy products is 7.5 cents per hundredweight of milk. Domestic dairy producers pay 15 cents per hundredweight, but have the option of having 10 cents of this directed to state, local and regional promotion programmes. This results in less favourable treatment for imported products.

Further, New Zealand dairy imports will not benefit from the promotional activities funded by the proposed measure. Claims that imported dairy products benefit from the Dairy Promotion Program without paying their share are incorrect, as New Zealand will not receive any direct benefit from the promotional activities funded by the assessment. Most of the Program's advertising budget is used to promote cheese and fluid milk, yet there are no imports of fluid milk and New Zealand's access to the US cheese market is constrained by tariff rate quotas. The Program also supports the "Real Seal" campaign, yet the "Real Seal" is precluded from being used on any products that contain imported dairy products. Similarly, you will appreciate the basic unfairness of imposing a tax on imported dairy-derived ingredients that are used in the manufacture of food products that are not marketed and sold as dairy products.

In addition, efforts to calculate the assessment on imported processed dairy products that would be equivalent to the domestic assessment on fluid milk would be extremely complex, and could result in discrimination between imported and domestic products.

We understand that these concerns are shared by several other countries as well as within the US domestic dairy industry. Given these strong trade policy concerns, we encourage you not to implement the extension of the assessment to imported dairy products.

I have written in similar terms to Ambassador Susan Schwab, United States Trade Representative, as I understand that you are obliged to consult with Ambassador Schwab to ensure that any action taken on this matter is consistent with the bilateral, regional and multilateral trade obligations of the United States.

Yours sincerely

Roy Ferguson
New Zealand Ambassador to the United States

CC:
Ambassador Susan Schwab, United States Trade Representative

6 August 2008

US/NZ/1/5/2

Ambassador Susan Schwab
United States Trade Representative
600 17th Street
Washington DC 20508

Dear Ambassador Schwab

I am writing concerning the possible extension of the dairy assessment to imported dairy products in the 2008 Farm Bill. I understand that Secretary of Agriculture Schafer is obliged to consult with you to ensure that any action taken to extend the dairy assessment to imported products is consistent with the bilateral, regional and multilateral trade obligations of the United States.

You may recall from my earlier letter of 16 April 2007 about this issue that the New Zealand Government, and our dairy industry, are concerned that taxing imported products to fund domestic promotion from which they cannot benefit is fundamentally unfair.

The New Zealand Government retains a number of concerns regarding the implications of the proposed measure for the United States' commitments under the WTO Agreements. For example, the measure will discriminate against New Zealand imports of dairy products into the United States. This is because while the current domestic dairy assessment is imposed on fluid milk produced in the United States, the new proposal would also apply to imported processed dairy products (such as cheese, butter, and casein), which are not "like" fluid milk within the terms of relevant WTO Agreement provisions. In addition, the rate of assessment for imported dairy products is 7.5 cents per hundredweight of milk. Domestic dairy producers pay 15 cents per hundredweight, but have the option of having 10 cents of this directed to state, local and regional promotion programmes. This results in less favourable treatment for imported products.

Further, New Zealand dairy imports will not benefit from the promotional activities funded by the proposed measure. Claims that imported dairy products benefit from the Dairy Promotion Program without paying their share are incorrect, as New Zealand will not receive any direct benefit from the promotional activities funded by the assessment. Most of the Program's advertising budget is used to promote cheese and fluid milk, yet there are no imports of fluid milk and New Zealand's access to the US cheese market is constrained by tariff rate quotas. The Program also supports the "Real Seal" campaign, yet the "Real Seal" is precluded from being used on any products that contain imported dairy products. Similarly, you will appreciate the basic unfairness of imposing a tax on imported dairy-derived ingredients that are used in the manufacture of food products that are not marketed and sold as dairy products.

In addition, efforts to calculate the assessment on imported processed dairy products that would be equivalent to the domestic assessment on fluid milk would be extremely complex, and could result in discrimination between imported and domestic products.

We understand that these concerns are shared by several other countries as well as within the US domestic dairy industry. Given these strong trade policy concerns, we encourage you not to implement the extension of the assessment to imported dairy products.

I have written in similar terms to Secretary of Agriculture Schafer.

Yours sincerely

Roy Ferguson
New Zealand Ambassador to the United States

CC:
The Honourable Ed Schafer, Secretary of Agriculture

1 May 2008 US/NZ/1/5/2

Chairman Tom Harkin
Senate Agriculture Committee
SR-328A Russell Senate Office Building
Washington, DC 20510

Dear Chairman

I am writing concerning the possible extension of the dairy assessment to imported dairy products in the 2008 Farm Bill. You will recall that I wrote to you on 16 April 2007 about this same issue.

The New Zealand Government, and our dairy industry, remains concerned that taxing imported products to fund domestic promotion from which they cannot benefit is fundamentally unfair.

The New Zealand Government has a number of concerns regarding the implications of the proposed measure for the United States' commitments under the WTO Agreements. For example, the measure will discriminate against New Zealand imports of dairy products into the United States. This is because while the current domestic dairy assessment is imposed on fluid milk produced in the United States, the new proposed would also apply to imported processed dairy products (such as cheese, butter, and casein), which are not "like" fluid milk within the terms of relevant WTO Agreement provisions.

Further, New Zealand dairy imports will not benefit from the promotional activities funded by the proposed measure. Claims that imported dairy products benefit from the Dairy Promotion Program without paying their share are incorrect, as New Zealand will not receive any direct benefit from the promotional activities funded by the assessment. Most of the Program's advertising budget is used to promote cheese and fluid milk, yet there are no imports of fluid milk and New Zealand's access to the US cheese market is constrained by tariff rate quotas. Similarly, it is fundamentally unfair to impose a tax on imported dairy-derived ingredients that are used in the manufacture of food products that are not marketed and sold as dairy products.

In addition, efforts to calculate the assessment on imported processed dairy products that would be equivalent to the domestic assessment on fluid milk would be extremely complex, and could result in discrimination between imported and domestic products.

We understand that these concerns are shared by several other countries as well as within the US domestic dairy industry. It is our strong hope that the unfair extension of the assessment to imported dairy products will not be enacted.

I have written in similar terms to Ranking Member Chambliss, Chairman Peterson and Ranking Member Goodlatte.

Yours sincerely

Roy Ferguson
New Zealand Ambassador to the United States

CC:
Chairman Max Baucus, Senate Finance Committee
Ranking Member Charles Grassley, Senate Finance Committee
Chairman Charles Rangel, House Ways and Means Committee
Ranking Member Jim McCrery, House Ways and Means Committee
The Honourable Ed Schafer, Secretary of Agriculture
Ambassador Susan Schwab, USTR

- the assessment could be characterised as an additional import duty rather than an internal tax or charge (contrary to GATT Article II:1 and Article 2.3.2 of the US-Australia FTA).

Finally, any attempt to calculate the assessment with respect to imported processed dairy products that would be equivalent to the domestic assessment on fluid milk levied at the farm gate would be extremely complex, and could also result in discrimination between like imported and domestic products.

It is against this background that the Australian government would be grateful if you could give due consideration to these factors and ensure that if a dairy assessment is part of the Farm Bill, it is not extended to imported dairy products.

I have written in similar terms to Chairman Harkin and Ranking Member Chambliss.

Yours sincerely

Dennis Richardson

CCs:

Chairman Max Baucus
Senate Finance Committee
United States Senate
Washington, DC 20510

Ranking Member Charles Grassley
Senate Finance Committee
United States Senate
Washington, DC 20510

Chairman Charles Rangel
House Ways and Means Committee
United States House of Representatives
Washington, DC 20510

Ranking Member Jim McCrery
House Ways and Means Committee
United States House of Representatives
Washington, DC 20510

Ambassador Susan Schwab
United States Trade Representative
600 17th Street NW
Washington, DC 20506

The Honorable Ed Schafer
Secretary
Department of Agriculture
1400 Independence Ave, SW
Washington, DC 20250

EUROPEAN UNION
DELEGATION OF THE EUROPEAN COMMISSION

2300 M Street, NW Washington, DC 20037, U.S.A.
telephone: 202-862-9500 fax: 202-429-1766

Date: October 11, 2007
Cover plus 1 Page

to:	Hon., Tom Harkin, Chairman Senate Agriculture, Nutrition & Forestry Committee **Attn**: Mark Halverson, Majority Staff Director 328-A Russell Senate Office Bldg.	**From:**	Dan Rotenberg
ccs:		**Ccs:**	
Fax:	202-224-1725	**Ext:**	202-862-9562
Subject:	U.S. Dairy Import Assessment		

Message:

Attached please find an urgent message for the Chairman from EU Agriculture Commissioner Mariann Fischer Boel concerning the developments of the 2007 Farm Bill. I would appreciate if you would bring it to his attention as soon as possible.

If there are questions concerning this letter please feel free to contact Dan Rotenberg on 202-862-9562 or via e-mail at Dan.Rotenberg@ec.europa.eu

John Bruton
Ambassador

MARIANN FISCHER BOEL
MEDLEM AF EUROPA-KOMMISSIONEN

Brussels, 10 -10- 2007
D/1050
CAB - D/

Dear Chairman Harkin

I would like to express my serious concerns about the prospect for extension of the current Dairy Promotion and Research Assessment to imported dairy products in the framework of the 2007 Farm Bill.

I have noted that the House version of the 2007 Farm Bill includes policy provisions enabling the collection of research and promotion assessments on imported dairy products, as called for in the 2002 Farm Bill but, finally, not implemented for other WTO concerns.

I was surprised to learn that extending the dairy assessment to Hawaii, Alaska and Puerto Rico is presented in the US as a way to implement the 2002 Farm Bill proposal in a WTO compliant fashion. Indeed, according to the information provided to us by EU industry and by US dairy importers associations, the proposed measure is unfair and would, if adopted, discriminate against imported products.

The European Commission and the EU dairy industry maintain that taxing imported products to fund domestic promotion from which they cannot benefit in the same way and level as domestic products is intrinsically unfair and raised important WTO compliance concerns.

As presented, the proposal will operate to provide less favourable treatment to imported dairy products than it is provided to like domestic products. For instance, while importers seem to be required to pay the same amount per hundredweight as domestic producers (15 US cents), in fact, domestic products would have the option of paying a portion of this amount (10 US cents) to other qualified promotion programs.

Furthermore, the proceeds of the dairy assessment are spent in such a way that domestic production is afforded protection: Most of the Program's advertising budget is used to promote cheese and fluid milk, yet there are no imports of fluid milk and EU access to the US cheese market is constrained by tariff rate quotas. In the same line, it is discriminatory to impose a tax on imported dairy-derived ingredients that are used in the manufacture of food products that are not marketed and sold as dairy products.

As a consequence, I totally share the EU industry important concerns regarding the implication of the measure for the United States' commitments under the WTO Agreements. These concerns have being raised not only by EU industry but also by several other partners as well as within the US domestic dairy industry.

Eager to prevent any new trade irritant in US-EU relations, I strongly urge you to make sure that the proposed extension of the assessment to imported dairy products will not be put into place.

Yours sincerely,

Mariann Fischer Boel

Hon. Tom Harkin, Chairman
Attention: Mark Halverson, Majority Staff Director
328-A Russell Senate Office Bldg.
USA - Washington, DC 20510

Embassy of Australia
Washington DC

Ambassador

23 April 2007

The Honourable Mike Johanns
Secretary
Department of Agriculture
1400 Independence Ave, S.W.
WASHINGTON, DC 20250

Dear Secretary Johanns

I am writing to express concerns about the Administration's proposal to extend the dairy promotion and research assessments to imported dairy products in the 2007 Farm Bill.

The Australian Government considers this proposal unfair and discriminatory.

Most of the domestic promotion of dairy products funded by the assessment is aimed at increasing the consumption of fluid milk and cheese. Only a small amount of fluid milk is imported by the United States. Furthermore, the trade in cheese is curtailed by tariff rate quotas. Thus, any increase in the consumption of cheese that might come from the promotion activities cannot benefit foreign dairy producers – the maximum amount they can sell is set by the tariff rate quotas, not by consumer preferences.

In addition, items that are not subject to tariff rate quotas (such as milk protein concentrates and casein) are generally not marketed and sold as "dairy" products and thus do not benefit from the promotion activities.

The proposal would, in effect, operate to provide less favourable treatment to imported dairy products than is provided to like domestic products. Within the United States, the assessment is imposed on whole milk at the farm gate. Given that most imports are processed dairy products, imported dairy products (such as cheese) would be subject to internal taxes or charges in excess of those applied to like domestic products.

Any attempt to calculate the milk-equivalent of imported processed dairy products would be complex and would also most likely result in discrimination between like imported and domestic products.

It would no doubt be of concern to you should the proposal place the United States in a position of not conforming to its WTO and AUSFTA obligations.

This is a matter of ongoing concern for the Australian Government. In 2002, the Australian and New Zealand Governments wrote to then US Trade Representative, Robert Zoellick, to raise concerns about the proposed tax. We continue to believe that proposals of this sort are inequitable and unhelpful to the efforts of Australia and the United States to liberalise international trade in agricultural products.

We welcome measures that expand markets, and we are working very hard to make the trading rules fairer and to ensure that exporters are not penalised. This is in both of our interests. However, I do not believe this proposal meets that standard.

Accordingly, the Australian Government requests that the Administration reconsider its proposal.

I have written in similar terms to Chairman Harkin, Chairman Peterson and Ambassador Schwab.

Yours sincerely

Dennis Richardson

Dennis Richardson