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June 7, 2002

The Honorable Philip Crane, Chairman  
Subcommittee on Trade  
Committee on Ways and Means  
US House of Representatives  
Washington, DC 20515

Re: Corrections to U.S. tariff laws

Dear Chairman Crane:

I am writing this letter on behalf of Select Milk Producers, Inc. and Continental Dairy Products, Inc. Both are dairy cooperatives with combined membership in New Mexico, Texas, Ohio, Indiana, and Michigan. Select Milk Producers is now operating reverse osmosis and ultra-filtration plants at dairy farms in Texas and New Mexico. Not only do imports of MPC compete unfairly against raw milk produced on these farms, but also compete against the products made in our plants.

This letter is in response to your request for comments regarding technical corrections to U.S. trade laws. This letter asks that your committee include in its bill the provisions H.R. 1786, legislation that would impose tariffs on imports of milk protein concentrate (MPC) and casein.

I have attached an executive summary of our position on this important topic.

Sincerely yours

Benjamin F. Yale

Enc. As per letter

cc. Mike McCloskey  
Tim denDulk  
Jerry Kozak

## EXECUTIVE SUMMARY

H.R. 1786 A Bill to impose tariff-rate quotas on certain casein and milk protein concentrates

H.R. 1786 amends the Harmonized Tariff Schedule of the United States to impose tariff-rate quotas (quantitative import limits) and provide various duty rates on certain casein, caseinates, milk protein concentrate, and other casein derivatives and glues imported into the United States (except imports from Mexico).

Authorizes the President to: (1) enter into a trade agreement with a foreign country to grant new concessions as compensation in order to maintain the general level of reciprocal and mutually advantageous concessions; and (2) proclaim any necessary modification or continuance of any existing duty, or continuance of existing duty-free or excise treatment. Sets forth certain limits on the reduction of duties on such products.

- S.B. 817 creates a level playing field for domestic Milk Protein Concentrates (MPC ) production and milk producers and provides a substantial leverage for future trade negotiations.
- MPC is skim milk that has been concentrated by ultra-filtration and, in cases of imports, dried.
- ***This is not a change in trade policy.*** The Congress has already determined that dairy products including cheese, butter, and NFDM, are subject to TRQs.
- MPC is now subject to a minimal duty (\$0.0017 per pound) and no quota because in 1994, when Tariff Rate Quotas were established under GATT, MPC technology and use were in their infancy and not widely known or used. As a result they were not included in the schedules. Had MPCs existed in 1994, they would have been subject to the same TRQs.
- **S.B. 847 and companion H.R. 1786 simply seek to update the already established TRQs for imported dairy products to include the subsequently developed MPCs.**
- In 2000 imported MPC and casein contained the same amount of milk protein as 1.1 billion pounds of NFDM. This requires approximately 10 billion pounds of fresh milk. ***This exceeds the amount of milk produced in the entire state of Minnesota during the same year.***
- Duties for MPC up to 90% protein would be assessed \$0.71/lb, \$0.98/lb for MPC with protein levels higher than 90%. Casein and casein products would be assessed a duty at the rate of \$0.98/lb.
- S.B. 847 will allow 35.2 million lbs of MPC to be imported. This is nearly as much MPC as was imported in 1997. It will permit 119 million lbs of casein and unlimited amounts for industrial use casein.
- Correcting the butter-powder tilt did not solve the problem. MPCs are heavy subsidized and prices will be reduced to keep below the price support levels.
- U.S. Customs Service classification will not correct the problem.

### For more information:

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