

May 24, 2002

The Honorable Phil Crane
United States House of Representatives
Washington, DC 20515

Dear Representative Crane:

On behalf of the Grocery Manufacturers of America (GMA), I am writing to express my opposition to H.R. 1786, which will place certain milk protein and casein products into a new tariff-rate quota. GMA believes this legislation is in every way contrary to the goals of the miscellaneous tariff bill. It is hugely controversial and will violate WTO commitments on these products. Inclusion of this bill will force higher costs on GMA member companies and our customers by dramatically restricting available sources of supply of these key ingredients.

Casein, caseinates and milk proteins are essential ingredients in a wide variety of consumer food products. GMA member companies use these milk-derived ingredients to make, among other things, baby food, bakery products, non-dairy creamer, frozen desserts, cheese, breakfast foods, soups, hot dogs, and high protein bars and beverages

MPC, casein and caseinates all provide functionally superior attributes to nonfat dry milk by offering higher levels of protein, consistency of protein content levels, and removal of other milk components that may not be desired in the particular end product (for example, lactose and minerals). Increased availability of these products from foreign suppliers in recent years is a direct result of the use of more modern filtration technologies being used by dairy suppliers around the world. There is, at present, virtually no production in the United States of these forms of milk proteins, largely because the operation of the U.S. dairy price support program establishes an economic disincentive for domestic production of these functionally enhanced ingredients.

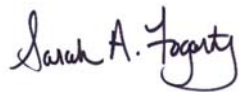
H.R. 1786 would raise tariffs to a level over 50%, on the majority of MPC, casein and caseinates imported into this country. Costs would increase, since the import supply would be restricted, yet as noted above, there is no domestic industry supplying these products. Moreover, by raising import tariffs above their WTO-legal ceilings, this bill could allow foreign suppliers (such as New Zealand, Australia, Ireland and France) to retaliate by imposing higher tariffs in their countries against U.S. exports.

Instead of erecting trade barriers to imports, GMA believes that we should be operating U.S. dairy policy so as to provide a market-based incentive for domestic suppliers to be competitive with foreign production of these value-added milk ingredients. Erecting unlawful barriers to trade in these products will only trigger a cycle of retaliation that will

be detrimental to all agricultural and food exporters. This legislation is certainly not a technical correction, nor does it imply duty suspension and should not be on the miscellaneous tariff bill.

GMA appreciates the opportunity to provide comments on this important matter.

Sincerely,

A handwritten signature in black ink that reads "Sarah A. Fogarty". The signature is written in a cursive style with a large, stylized initial "S".

Sarah A. Fogarty
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