



## Ensuring a Healthy US Dairy Industry:

BLUEPRINT FOR THE 2007 FARM BILL  
[www.healthydairyindustry.org](http://www.healthydairyindustry.org)



### Oppose a *Tax* on Dairy Imports that Does Nothing to Promote Dairy

*Some dairy producer groups are suggesting that Congress should impose an assessment on imported dairy products. Such a move would amount to an unwarranted tax on consumers in order to fill the coffers of the dairy producer check-off program. The assessment was stuck in the 2002 Farm Bill but never implemented because it violated U.S. trade obligations. A proposed "tweak" to the original language will not fix the trade concerns of the import assessment and doing so would require Congress to "tax" struggling dairy farmers in Alaska and Hawaii. Congress should oppose imposing an assessment on imported dairy products - it will provoke trade retaliation, increase costs to consumers and US companies and provide no benefits to dairy producers.*

**The import assessment targets certain dairy products for a tax but provides them with absolutely no benefits.** The dairy import assessment would raise the price of products containing dairy derived ingredients that are found in every aisle of the supermarket. A majority of these ingredients are used in food items that can't even be labeled as dairy because of federal law. Cheese on frozen pizzas, for example, is made with the dairy protein, caseinate, but it must be labeled "imitation" and is denied the use of the "Real Seal". As a result, the assessment would tax US companies that import these dairy products and raise the price of consumer goods even though they receive no benefits whatsoever from the "Real Seal" or domestic check-off advertising campaigns.

Other dairy products hit by the assessment, such as imported cheeses, are subject to strict import tariffs and quotas. Even if they could benefit from promotion programs, it would be too cost prohibitive to import more products with the assessment levied on top of tariffs.

**Implementing the dairy import assessment would hurt dairy farmers.** Proponents of the assessment argue that Congress can force Alaska, Hawaii and Puerto Rico dairy producers to pay into the domestic dairy check-off program and resolve the outstanding trade issues. Yet, producers in these states and territories chose not to be part of the dairy check-off. Forcing them to do so would further add to their financial strain and place an unwanted tax on these farmers. For these reasons, the Congressional delegations from these states and territories are on record strongly opposing an "import assessment fix."

**A dairy import assessment would impose an estimated \$8 million tax on our trading partners and put \$2 billion in U.S. dairy exports at risk.** The import assessment provisions violate the national treatment clause of Article III of the 1994 General Agreement on Tariffs and Trade (GATT) by providing "less favorable treatment" to imports than to domestic products, and, if implemented, would nullify or impair U.S. obligations under GATT Article XXIII: 1(b). U.S. dairy exports have more than doubled in the past ten years, but this could be at risk if the dairy assessment is implemented. Trade retaliation on U.S. agricultural exports is a likely outcome if other countries are forced to pay into the U.S. dairy check-off program without any benefits. Other countries have domestic agricultural promotion programs, but do not tax U.S. agricultural imports. This move would be a terrible signal to our trading partners.

**ACTION REQUIRED: Oppose implementation of the dairy import assessment -- it's a tax on consumers, provokes our trading partners and does not help U.S. dairy farmers.**