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To: Trade Policy Staff Committee
Office of the United States Trade Representative
Executive Office of the President
1724 F Street, N.W.
Washington, D.C. 20508

Re: Request for Comments Concerning the Free Trade Agreement with the
Republic of Korea

Date: September 10, 2009

This filing is in response to the notice of request for public comments concerning the free trade agreement with the Republic of Korea, which appeared in the Federal Register on July 27, 2009 (pages 37084). The National Milk Producers Federation (NMPF) and the U.S. Dairy Export Council (USDEC) appreciate the opportunity to present their views on this important trade agreement.

NMPF is the national farm commodity organization that represents dairy farmers and the dairy cooperative marketing associations they own and operate throughout the United States. USDEC is a non-profit, independent membership organization that represents the export trade interests of U.S. milk producers, dairy cooperatives, proprietary processors, and export traders. USDEC's mission is to increase the volume and value of U.S. dairy product exports.

The Korea – U.S. Free Trade Agreement (KORUS FTA) will provide the best opportunity since the U.S.-Mexico portion of the North American Free Trade Agreement to expand U.S. dairy exports. Our industry is very eager to take advantage of this remarkable opportunity, particularly considering the speed with which Korea plans to negotiate FTAs with other major dairy exporters. Korea has already concluded an FTA with the European Union this year and has previously indicated its intentions to negotiate with Australia and New Zealand as well.

Advantages for U.S. exporters would be greatest if the KORUS FTA could be implemented before these other FTAs come into effect. Although the agreement will still provide very meaningful benefits for U.S. dairy exporters once Korea has FTA with these other major trading nations, the competition for our products will be significantly greater than if we have the advantage of a few years of initial preferential opportunity in the Korean market.

Upon implementation of the FTA, the U.S. dairy industry will gain immediate open access for whey for feed uses, as well as tariff-free access for approximately 16,000 metric tons of cheese,

milk powders, whey for food uses, and other important dairy products. Furthermore, U.S. exporters will achieve additional market access in Korea as all dairy tariffs except those on milk powders are ultimately phased out completely. This will help to grow a very restricted and high-value market that accepted only \$100 million in U.S. dairy exports in 2008. Without this agreement in place, the U.S. potentially stands to lose even its current share of the Korean import market as Korea continues to negotiate trade agreements with U.S. competitors such as those cited above.

We estimate that the benefit to the U.S. dairy industry over the first several years of the agreement will be on the order of an additional \$380 million per year on average. Most of this growth will be the result of improved access for U.S. cheese, whey, skim milk powder, and certain other processed dairy products. These additional exports will help bolster milk prices for America's dairy farms, and help to support additional jobs in the dairy processing and transportation sectors. The delay in implementing this Agreement since it was signed has cost our sector many potential new jobs at a time when we, and the country, could least afford it.

There remain some technical issues to be resolved during the implementation discussions that would occur following passage of this agreement by both countries. Issues of concern to our industry include ensuring that no new unjustified SPS or technical barriers to trade arise that might block the access Korea committed to provide for U.S. dairy products. Included within this is the issue of details pertaining to the administration and operation of the dairy TRQs called for under the agreement. We look forward to working with the Administration at that later stage to ensure that these critical details are appropriately addressed so that Korea-U.S. trade flows freely in keeping with the FTA from Day 1 of the agreement.

We hope to see the agreement move with good speed and high priority towards resolution of the remaining issues of importance long-identified by this Administration. As these other issues of concern are not within our area of expertise, we take no position on them. We do appreciate, however, this opportunity to point out the strong expected benefits that our industry anticipates deriving from an implemented Korea-U.S. FTA and as such our strong desire to see this Administration move forward with resolving those identified major issues at hand in this FTA so that it may be presented to Congress for its consideration.