



Dairy Fact Sheet on U.S. – South Korea Trade Promotion Agreement

The Korea-U.S. Free Trade Agreement (KORUS FTA) will provide a very good opportunity to expand U.S. dairy exports while minimizing imports. 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. U.S. exporters will achieve additional market access as Korea's tariffs are ultimately phased out completely.

This will help to grow a very restricted and high-value market that received \$66 million in U.S. dairy exports in 2006. The U.S. dairy industry has consistently supported trade agreements such as this one that provide a net benefit for U.S. dairy producers and the industry as a whole.

KORUS FTA Specifics:

- **Immediate Results:**
 - Duty-free in-quota access for approximately 16,000 metric tons (MT) of access across numerous key products with 3% compound growth rate for the TRQ.
 - Access: Cheese – 7,000 MT; Milk Powders – 5,000 MT; Whey for food uses – 3,000 MT (over-quota rate cut by 60% in year 1); Infant Formulas 700 MT; Butter – 200 MT;
 - Immediate open access for whey for feed uses.
- **Tariffs on most dairy products will be phased out over a period of 0 to 15 years.**
 - All applicable tariff reductions begin in Year 1 of the agreement.
 - Over-quota tariffs on milk powders (0402 & 0403901000) will remain in place permanently. Improved FTA access for these products will be provided solely through a TRQ with a 3% annual growth rate.
 - Tariff phase-out periods of key dairy products:
 - Milk Powders – N/A
 - Cheddar Cheese – 10 year phase-out of over-quota rate
 - Most other Cheeses – 15 year phase-out of over-quota rate
 - Whey for food use – 10 year phase-out of over-quota rate; 60% over-quota rate cut in Year 1
 - Whey blends – 10 year phase-out of tariff
 - Lactose – 5 year phase-out of tariff
 - Butter – 10 year phase-out of over-quota rate
 - Ice Cream – 7 year phase-out of tariff
 - Infant Formulas – 10 year phase-out of over-quota rate
 - Yogurts – 10 year phase-out of tariff
- As for Korea, it will receive duty-free in-quota access for 300 MT of miscellaneous dairy products and slightly faster phase-out periods on certain products. Korea's ability to take advantage of this improved access will be greatly constrained by its lack of competitiveness and the strict rules of origin under the FTA.
- As with other FTA's, no transshipment of foreign-produced dairy items through Korea to the U.S. will be allowed.
- No concessions were given on the U.S. domestic support program, meaning that no U.S. dairy programs (federal orders, price support) will change.
- The U.S. can still use its DEIP program to export to Korea, if the European Union maintains its use of export subsidies to Korea.