



National Milk Producers Federation

2101 Wilson Blvd., Suite 400, Arlington, VA 22201

"Connecting Cows, Cooperatives, Capitol Hill, and Consumers"

IMPLEMENTATION OF THE ASSESSMENT ON IMPORTS UNDER THE DAIRY PROMOTION AND RESEARCH ORDER

FREQUENTLY ASKED QUESTIONS

1. *What is the effective date of the assessment?*

The assessment takes effect on August 1, 2011.

2. *What is the rate of assessment?*

Imported dairy products will be assessed the equivalent of \$0.075 per cwt.

The assessments will be levied at the rate of \$0.00602 per pound of total milk solids in imported dairy products (average total milk solids content of milk = 12.45 lb. per cwt. of milk, so \$0.075 per cwt. of milk = \$0.075/12.45 = \$0.00602 per pound of total milk solids).

3. *Who will collect the assessments and how will enforcement be carried out?*

The assessments will be collected by U.S. Customs and sent directly to the National Dairy Promotion and Research Board (National Dairy Board). Documentation on the milk solids composition of, and assessments collected from, individual import shipments will be sent by U.S. Customs to USDA, which will have the responsibility to verify this information provided by importers.

4. *What products are covered by the assessment?*

All dairy products and products containing dairy components that are made from cow's milk and imported into the United States for commercial use are required to pay the assessment.

5. *How much money will be raised through the assessment?*

USDA estimates that the import assessments would have totaled \$4.9 million had they been collected in 2008.

6. *What is the effect of the assessment on efforts to promote dairy products of U.S. (national) origin?*

The principle of neutral promotion of dairy products will apply to the national dairy promotion programs, which will not be able to promote substitution of domestic for imported dairy products nor vice versa.

7. *What is the effect of the assessment on current efforts to promote individual state brands?*

There will be no effect and qualified programs will still be able to promote state brands.

8. *How many importer representatives will be given seats on the National Dairy Board?*

Initially, the number of seats on the National Dairy Board will be increased from 36 to 38, with the two additional seats for importer representatives. At least once every three years thereafter, USDA will reapportion the importer representation on the Board to reflect the proportional share of the U.S. market by domestic production and imported products, based on total milk solids. Consequently, the number of seats for importer representatives will rise or fall over time based on the share of the U.S market held by imports.

9. Will importers of dairy products be permitted to establish their own qualified programs to utilize assessment funds?

Yes. Organizations can seek to become an importer qualified program by submitting an application to USDA, similar to the process currently used by domestic organizations seeking to become a qualified dairy producer program.

10. How much of the assessment could be utilized by importer qualified programs?

Importers may elect to remit up to 2.5 cents per cwt. of their assessments to an importer qualified program. The remaining 5 cents per cwt. will be retained by the Board.

11. Will the current domestic exemption for 100% organic products be extended to imported products?

Yes. An importer who imports only products that are eligible to be labeled as 100 percent organic under the National Organic Program can request, and be granted an exemption from payment of the import assessment, similar to the exemption for domestic producers who are 100 percent organic. However, imported dairy products that are organic will not be exempt from the import assessment if the importer also imports dairy products that are not organic.

12. Are there any other provisions for importers to receive an exemption or apply for a "refund" of the assessment?

Importers can request a reimbursement from USDA of import assessments collected on the proportion of the milk solids content of imported dairy products that is of U.S. origin or is not from cow's milk. This is because the U.S. origin dairy content of imported dairy products will have already paid the domestic promotion assessment, and because the domestic promotion assessment is not collected on non-cow's milk. These are the only permitted assessment reimbursements, and importers must submit appropriate documentation to USDA in order to receive such a reimbursement.

13. Will the assessment now be extended to domestic producers outside the present 48 contiguous states?

Yes. Beginning on April 1, 2011, dairy producers in Alaska, Hawaii, Puerto Rico and the District of Columbia will pay the domestic promotion assessment at the rate of \$0.15 per cwt., as producers in the 48 contiguous United States currently do. USDA estimates that the domestic assessments on milk produced in these four areas would have totaled \$1.1 million had they been collected in 2008. Producers from those regions will be eligible for nomination to the National Dairy Board.

14. Will implementation of a promotional assessment on dairy imports undermine the recent record growth in US dairy exports?

No. Robust demand from countries such as China, Mexico, and Indonesia whose rising per capita incomes is driving shifts towards higher nutrient foods, such as dairy. Global supply from traditional sources, such as Europe, New Zealand and Australia cannot keep up, nor can growth in new supplies.

15. Are other countries expected to impose reciprocal assessments on U.S. dairy exports?

In order to satisfy WTO requirements of "national treatment" whereby domestic products are treated identically to imports, countries considering retaliation would have to similarly assess all of its own domestic milk production. USDA has studied overseas promotion programs and is aware of no country, including the countries of the EU, which has a promotion system sufficiently comprehensive to justify a similar imposition on imports of U.S. products. In fact, the inclusion of Alaska, Hawaii, and Puerto Rico in the order strengthens WTO national treatment concerns, further inoculating U.S. products against retaliation. Finally, other U.S. commodity promotion programs, which do assess imports (e.g. beef), have seen no resulting retaliation.