

Australia FTA Details Reveal a Negative Impact on U.S. Milk Prices

**Elwood Kirkpatrick
President**



Two months ago, this column discussed a pending free trade agreement (FTA) with Australia. At the time, we believed nothing but damage would come to the U.S. dairy industry from such an agreement.

I also asked you to write letters and make calls to Congress, urging them to tell the President of the devastation the dairy industry faced under free trade with Australia. Many of you responded with calls, letters and e-mails to Congress, something I greatly appreciate.

Last month, I told you an agreement had been reached but the details were yet to be analyzed. We are now in a position to analyze and assess the damage

that will come from implementation of the Australia FTA.

Under current World Trade Organization rules, the United States is required to open our dairy product market to five percent of domestic consumption. In addition to the five percent, the Australia FTA requires an additional increase of imports from Australia equaling 0.17 percent of our domestic consumption during the first year of the agreement. Each year following, Australia's access to our markets will increase by approximately 2 percent of the 0.17 percent.

If approved by Congress, implementation of Australia's new quota access will consist of 55 million pounds of dairy products

spread across 11 different categories. Although the poundage of dairy products that will be coming from Australia doesn't seem to be large, the impact of even a small amount of imported dairy products can affect domestic dairy prices.

National Milk Producers Federation (NMPF) has analyzed the impact on U.S. domestic prices once the Australia FTA is implemented. The chart on this page indicates the price impact the agreement will have over the next 20 years. Year one of the agreement will reduce our all-milk price by 14 cents per cwt.

Although the impact in later years does not seem that significant, (less than a few cents per cwt.) the NMPF board of directors does not support the agreement and has asked Congress to oppose the agreement. Unfortunately, Congress has never turned down a FTA.

I urge you to call or e-mail your House and Senate representatives and tell them to oppose implementation of the Australia FTA. For easy access to their e-mail addresses, click on the Dairy Great icon at NMPF's Web site, www.NMPF.org

Impact of Australia FTA Agreement: Actual Outcome				
	Year	Impact on All-Milk Price	U.S. Dairy Farm Income	% of U.S. Milk Production
Actual	1	-\$0.14	-\$237M	0.2%
	2	-\$0.06	-\$121M	0.2%
	3	-\$0.03	-\$75M	0.2%
	4	-\$0.01	-\$23M	0.2%
	5	-\$0.01	-\$23M	0.2%
	10	-\$0.01	-\$29M	0.3%
	15	-\$0.02	-\$36M	0.3%
	20	-\$0.02	-\$45M	0.4%

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