

USDA Should Impose Safeguard Tariffs on Butter Imports

By Elwood Kirkpatrick
President



Foreign butter imports have more than doubled since 2003, causing concern for the U.S. dairy industry.

Due in part to all-time high domestic butter prices; companies in the United States have imported foreign butter at record levels during 2004. In the first nine months of 2004, butter product imports were 13,888 metric tons, or 101 percent of the safeguard trigger level, according to data from the U.S. Department of Agriculture's Foreign Agriculture Service.

The safeguard threshold for importing dairy products is determined by the previous calendar year. Once total butter imports have reached the set safeguard threshold, representing a 100 percent growth rate in a calendar year, the U.S. government

is entitled to impose higher than normal tariffs on butter products. Such an action is completely WTO compatible and creates no cost to the U.S. government.

Under provisions of the 1994 Uruguay Round GATT agreement, the U.S. government negotiated the right to utilize special safeguard provisions when certain dairy imports exceed agreed-upon safeguard levels. This special safeguard helps countries move from non-tariff import barriers to tariff-only.

The safeguard triggers on butter do not automatically cause the import barriers to switch to tariff-only; instead it is a sign to USDA officials that they may institute tariff-only policies. The USDA took similar action back in 2002, when it responded positively to a request by National Milk Producers Fed-

eration for safeguard tariffs on American Type cheese products, once imports of those products rose more than 100 percent from 2001.

As I am writing this column, the USDA has not put safeguard tariffs in place on butter. To ensure this issue is brought to the USDA's attention, NMPF has asked the USDA to institute safeguard butter tariffs for the remainder of the 2004 calendar year.

While butter imports remain a concern for the U.S. dairy industry, a recent U.S. Dairy Export Council report revealed a bright spot in domestic exports during 2004. For the first time in many years, we were able to export non-fat dry milk to foreign countries without a subsidy. Tight supplies in world markets caused international prices to rise, giving the U.S. this opportunity. It is definitely a positive turn-around from the stockpiles of NFDN this country had just a few years ago.

NMPF will continue to urge the USDA to put safeguard tariffs in place on foreign butter for the remainder of 2004. We will keep you updated on this issue through this column and additional mailings as needed. If you have any questions or concerns regarding import or export issues, please contact me in the Novi office.

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