



AMBASSADOR

19 October 2007

The Honorable Charles E Grassley
Ranking Member, Senate Finance Committee
United States Senate
WASHINGTON, DC 20510

Dear Senator Grassley

I am writing to express concerns about the Administration's proposal to extend the dairy promotion and research assessments to imported dairy products in the 2007 Farm Bill.

The Australian Government considers this proposal unfair and discriminatory.

Most of the domestic promotion of dairy products funded by the assessment is aimed at increasing the consumption of fluid milk and cheese. Only a small amount of fluid milk is imported by the United States. Furthermore, the trade in cheese is curtailed by tariff rate quotas. Thus, any increase in the consumption of cheese that might come from the amount they can sell is set by the tariff rate quotas, not by consumer preferences.

In addition, items that are not subject to tariff rate quotas (such as milk protein concentrates and casein) are generally not marketed and sold as "dairy" products and thus do not benefit from the promotion activities.

The proposal would, in effect, operate to provide less favourable treatment to imported dairy products than is provided to like domestic products. Within the United States, the assessment is imposed on whole milk at the farm gate. Given that most imports are processed dairy products, imported dairy products (such as cheese) would be subject to internal taxes or charges in excess of those applied to like domestic products.

Any attempt to calculate the milk-equivalent of imported processed dairy products would be complex and would also most likely result in discrimination between like imported and domestic products.

It would no doubt be of concern to you should the proposal place the United States in a position of not conforming to its WTO and AUSFTA obligations.

This is a matter of ongoing concern for the Australian Government. In 2002, the Australian and New Zealand Governments wrote to then US Trade Representative, Robert Zoellick, to raise concerns about the

proposed tax. We continue to believe that proposals of this sort are inequitable and unhelpful to the efforts of Australia and the United States to liberalise international trade in agricultural products.

We welcome measures that expand markets, and we are working very hard to make the trading rules fairer and to ensure that exporters are not penalised. This is in both of our interests. However, I do not believe this proposal meets that standard.

The Australian Government requests that the assessment not be extended to imported products.

I have written in similar terms to Senator Baucus, Congressman Rangel and Congressman McCrery. And have previously written to Chairman Harkin, Chairman Peterson, Ambassador Schwab and Secretary Johanns on this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read "Dennis Richardson". The signature is fluid and cursive, with a prominent initial "D".

Dennis Richardson