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Lack of U.S. Action Results in Retaliatory Tariffs on U.S. Cheese Exports

The National Milk Producers Federation (NMPF) and the U.S. Dairy Export Council (USDEC) expressed great disappointment at the announcement today by the Mexican government that it would impose tariffs of 20% to 25% on several major categories of U.S. exports to Mexico, including many cheeses. This action targets shipments to our largest export market for dairy products and includes products such as cheddar, mozzarella, gouda, provolone, colby, Monterey Jack, cream cheese and many others.

“These tariffs come at a terrible time for U.S. dairy producers, who are still struggling to recover from the horrendous cost-price squeeze endured throughout 2009,” said Jerry Kozak, president and CEO of NMPF. “In order to help restore profitability and stability to America’s hard-working dairy producers, we should be doing all we can to help boost our exports, not pursuing policies that cost us existing sales in critical foreign markets.”

Tom Suber, president of USDEC, noted that “we have worked tremendously hard over the past several years to cultivate the Mexican cheese market and to work with our counterparts in Mexico regarding the importance of U.S.-Mexican NAFTA compliance in order to further the interests of both countries. It is deeply disturbing to now see our exports hindered by lack of U.S. action to resolve such a long-standing issue with our most important trading partner.”

According to the Mexican government, this action is being taken as part of Mexico’s ongoing effort to seek U.S. compliance with its NAFTA obligation to provide Mexico with cross-border trucking access into the United States. Since March 2009, Mexico has

imposed retaliatory tariffs on a list of U.S. exports that previously did not include cheese or other notable dairy products.

This retaliation has been authorized by a NAFTA Dispute Settlement Panel due to lack of U.S. compliance with its NAFTA transportation obligations. With respect to the newly published retaliation list, Mexico noted that it had “yet to receive a formal proposal for the resolution of this dispute and an unequivocal signal that the U.S. government is working to eliminate the barriers that Mexican long-haul carriers face to access the U.S. market. As a result, the Government of Mexico has renewed the list of U.S. goods subject to increased tariffs.”

Together, U.S. exports under these four tariff lines total 44 million pounds this year (January–June data) and are estimated to be worth \$59 million. Full year U.S. exports under these tariff lines in 2008 and 2009 averaged 77 million pounds and are estimated to have averaged \$104 million over the two years. Exports in 2010 had been on track to recover strongly from a slight dip in value shipped last year.

NMPF and USDEC again called on the Administration to immediately offer a concrete proposal for resolution of this issue that has already negatively impacted many U.S. exports and will now impose harm on even more sectors of our economy, including America’s dairy industry. The organizations further urged Congress to support a resolution to this long-running trade dispute with our close ally and important trading partner.

The U.S. Dairy Export Council (USDEC) is a non-profit, independent membership organization that represents the global trade interests of U.S. dairy producers, proprietary processors and cooperatives, ingredient suppliers and export traders. Its mission is to enhance U.S. global competitiveness and assist the U.S. industry to increase its global dairy ingredient sales and exports of U.S. dairy products. USDEC accomplishes this through programs in market development that build global demand for U.S. dairy products, resolve market access barriers and advance industry trade policy goals. USDEC is supported by staff across the United States and overseas in Mexico, South America, Asia, Middle East and Europe.

The National Milk Producers Federation (NMPF), based in Arlington, Va., develops and carries out policies that advance the well-being of U.S. dairy producers and the cooperatives they collectively own. The members of NMPF’s 30 cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of nearly 40,000 dairy producers on Capitol Hill and with government agencies. For more on NMPF’s activities, visit www.nmpf.org.