

TESTIMONY OF THE NATIONAL MILK PRODUCERS FEDERATION &  
THE U.S. DAIRY EXPORT COUNCIL  
TO THE HOUSE COMMITTEE ON WAYS AND MEANS  
REGARDING RUSSIAN ACCESSION TO THE WORLD TRADE ORGANIZATION  
June 21, 2012

The National Milk Producers Federation (NMPF) and the U.S. Dairy Export Council appreciate the opportunity to express the views of America's dairy farmers on the importance of bringing Russia fully into the global trading system on terms that will provide U.S. dairy exports the same rights and advantages that Russia will afford to dairy products from other WTO member nations. This will only be possible if the U.S. provides to Russia Permanent Normal Trade Relations (PNTR) and graduates that nation from the provisions of the Jackson-Vanik amendment.

The National Milk Producers Federation (NMPF) develops and carries out policies that advance the well being of dairy producers and the cooperatives they own. The members of NMPF's 31 cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of more than 40,000 dairy producers on Capitol Hill and with government agencies. The U.S. Dairy Export Council (USDEC) is a non-profit, independent membership organization that represents the export trade interests of U.S. milk producers, proprietary processors, dairy cooperatives, and export traders. The Council was founded in 1995 by Dairy Management Inc. (DMI), the farmer-funded marketing, promotion and research organization, to build global demand for U.S. dairy products and assist the industry in increasing the volume and value of exports.

While historically the U.S. dairy industry had not been heavily dependent on exports, our foreign sales have been on a strong upward trend for the past several years. In fact, the U.S. dairy industry has become a significant player in the world market, and these markets are playing a greater role in determining prices for dairy products in the United States. Last year the U.S. exported a record \$4.8 billion, accounting for roughly 13% of U.S. milk production. As exports have become more important to our industry, so have unfair trade barriers – and the legal tools available to address them.

Throughout Russia's almost two decade long WTO accession process, U.S. administrations have worked very hard to strengthen commitments Russia would be required to undertake in order to be admitted to the organization. The process was completed this past December when all 155 current members of the WTO approved Russia's membership.

As part of Russia's new trade obligations, it reduced tariffs in the agricultural sector and accepted commitments to operate sanitary and phytosanitary (SPS) measures in a manner consistent with WTO rules. The latter is particularly important given the many SPS challenges that a range of agricultural commodities, including dairy, have experienced with Russia over the years.

**The following are some details relevant to U.S. dairy exports that were included in Russia's accession commitments:**

#### Tariff Commitments

- Russia will establish a TRQ of 15,000 metric tons for whey products, with a 10 percent in-quota duty, for lines of commercial interest to U.S. dairy suppliers. The over-quota rate will be 15 percent.
  - In addition, Russia will reduce the duty from 15 to 10 percent after 3 years on two other commercially significant whey products.
- Russia is reducing its maximum tariff bindings on cheese from 25 to 15 percent with most reaching the final bound rate within 3 years.
- Despite EU attempts to craftily monopolize access to certain tariff lines, the United States succeeded in securing a commitment that product descriptions in Russia's tariff schedule that include geographical names for cheese should not give rise to enforcement of geographical indications at the border.
  - Further, any tariff concessions negotiated by other countries for particular cheese, e.g., with product descriptions that include geographical names, will apply to all cheeses, addressing the possibility that the EU (or others) could negotiate access for a cheese tariff line for themselves alone. (These provisions all also apply to wines.)
  - This was an important accomplishment in the face of strong EU efforts to restrict the ability of other suppliers to ship a given type of product to Russia under preferential tariff provisions.

#### SPS Commitments

- Russia has undertaken commitments on how it will comply with the SPS Agreement and its other commitments affecting trade in agricultural products. These commitments will provide U.S. exporters of dairy products with an enforceable set of disciplines against trade restrictions that are not based on science and a risk assessment.
- Russia has also agreed to strong rules on harmonizing its SPS measures with international standards.
- Although the Customs Union that Russia is a member of has adopted a common set of veterinary requirements and common veterinary certificates, it also has adopted measures that allow it to negotiate country-specific veterinary certificates that vary from the common requirements. These variances will be critical in the United States' ability to negotiate certificates with Russia.
  - This is particularly important for the dairy industry given our lack of market access to Russia since September 2010 when lack of agreement on a certificate led Russia to announce the closure of its market to U.S. dairy products until an agreement could be reached.
- In addition, Russia has committed to abolish its requirement that exporting countries provide a list of approved establishments in order to be permitted to ship product there, a requirement that had proved to be a key sticking point in past U.S.-Russia dairy market access discussions.

Once Russia completes its accession process by passing legislation to adopt the accession protocols, which is expected to happen by August, it will become a full WTO member automatically 30 days later.

The choice now before Congress is whether our exporters will be afforded the opportunity to take advantage of the commitments so arduously negotiated over the past 19 years. The failure of Congress to approve full PNTR for Russia will not alter Russia's entry into the WTO, nor even impact its timing. Nor will Congressional inaction on PNTR penalize Russia. Rather, it risks penalizing U.S. sectors hoping to gain new access to that growing market by allowing Russia to withhold trade benefits it will be providing to products of our competitors.

In the dairy sector, the U.S. has been working to restore access to the Russia dairy market since its abrupt closure in 2010 due to a disagreement over certificate and inspection requirements, as mentioned above. Russia is one of the world's largest dairy importers, purchasing over \$2 billion worth of dairy products in 2011. U.S. sales hit a record \$81 million in 2010, before the market closed.

**NMPF and USDEC are hopeful that ongoing negotiations with Russia and its Customs Union partners will prove successful in restoring access to that market and we believe SPS-related undertakings by Russia as part of its accession protocol will be helpful in that process.** The binding nature of those commitments will be undermined in our dairy negotiations if the U.S. fails to grant Russia PNTR, is thus forced to continue to invoke the WTO "non-application" clause, and thereby loses the right to challenge WTO-illegal Russian measures.

We urge Congress to repeal Jackson-Vanik and extend full PNTR to Russia without delay in order to ensure that U.S. exporters are able to hold Russia to its commitments once it joins the WTO this summer.

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