



February 8, 2005

An Open Letter to the House Committee on Ways & Means: Tariffs on Milk Protein Imports Would Be Unwise and Unjustified

Dear Chairman Thomas, Ranking Member Rangel, and Members of the Committee:

On behalf of the 350,000 members of the National Taxpayers Union (NTU), I write to offer our views concerning the Milk Import Tariff Equity Act (H.R. 521) recently referred to your Committee. Specifically, we urge you to vote **NO** on H.R. 521 should it come to a Committee vote.

At a time when the world is looking to the United States for leadership on the promotion and facilitation of freer trade, it is vital that Congress ignore special interest requests for unwarranted trade protections. The milk lobby is once again pressuring Members of Congress to restrict the importation of milk protein concentrates (MPCs), casein, and caseinate. Unfortunately, their justifications for why such protectionism is needed fail to pass the "smell test."

First, the milk lobby argues that U.S. importation of milk proteins has depressed U.S. milk prices. This claim has been refuted by a major International Trade Commission (ITC) report on the subject that concluded, "*The data do not show a clear and direct relationship between imports of milk protein products and the all-milk price in all years [1996-2002].*" The ITC report also noted that other independent economic studies have generally reached the same finding.

Second, the milk lobby argues that imported milk proteins are displacing domestic sources of production. The ITC report calculated that on "*a protein basis, imports of MPC, casein, and caseinate may have displaced 318 million pounds of U.S.-produced milk proteins between 1998-2002.*" While that number may seem large, in reality it only amounts to 1.27 percent of total U.S. milk protein production over that time.

Third, the milk lobby argues that foreign governments are unfairly fueling these imports and therefore stunting the development of domestic production of milk proteins. However, the ITC report concluded that **U.S. government** dairy policies actually create the disincentives for U.S. production. In fact, the report states that "*U.S. production of these products is limited, and likely to remain limited, so long as the current Federal Marketing Order and Dairy Price Support Program prices remain in effect.*"

While these refutations of the milk lobby's flawed contentions are justification enough, there remains a simpler reason for ignoring these pleas for protectionism. Almost every American would face higher prices and fewer choices because of the critical role these milk proteins play in the products we consume and use. As a Senate "Dear Colleague" letter from 2003 acknowledged, "*These highly specialized ingredients are used in the manufacture of countless food, medical, cosmetic, animal feed, and industrial products, including sports foods and drinks, coffee creamers, dessert toppings, snack foods, nutrition bars, cereals, sauces and gravies and geriatric and infant formulas.*"

The one positive aspect of this debate is that it serves to highlight the absolute folly of maintaining government dairy programs. After 70+ years of quasi-socialist meddling in the U.S. dairy market, the time is definitely ripe for Congress to seek a phase-out of these programs. Taxpayers and consumers have been "milked" long enough.

Sincerely,

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