

7 May 2018

Comisión Nacional Encargada de Distorsiones (CNDP)  
De Investigar la Existencia de Distorsiones en el Precio de las Mercaderías Importadas  
Secretaría Técnica  
Morandé 115, piso 1  
Santiago - Chile

Dear Sr. Claudio Sepulveda Bravo

### **Safeguard Investigation: Powdered Milk and Gouda**

Thank you for the opportunity to submit written comments to the safeguard investigation into imports of powdered milk and Gouda<sup>1</sup>.

The dairy industry associations in Argentina (Centro de la Industria Lechera); Australia (Australian Dairy Industry Council); European Union (European Dairy Association and Eucolait); New Zealand (Dairy Companies Association of New Zealand); United States (National Milk Producers Federation, International Dairy Foods Association and US Dairy Export Council) and Uruguay (Camara de la Industria Lactea del Uruguay) respectfully submit the following comments. These countries account for the majority of the global trade in dairy products.

The industry associations appreciate the Government of Chile's earlier decision not to proceed with provisional safeguard measures on the products subject to investigation (skim milk powder, whole milk powder and Gouda). Our comments below relate to the ongoing investigation into definitive safeguards, and the requirements under the WTO Agreement on Safeguards. Under the WTO Agreement on Safeguards, a measure may only be applied where there is (1) a surge in imports and; (2) this surge results in or threatens to cause serious injury to the domestic industry that produces like or directly competitive products.

The Comisión Nacional Encargada de Distorsiones (CNDP), according to the WTO notification, has determined with the information available that the serious injury sustained by the domestic industry had been caused by a sharp drop in import prices, and, by the dramatic increase in imports in recent years, which had led to a loss of sales volume and market share for domestic production.

There has been no decrease in import prices. On the contrary, the US dollar price of imported Gouda and whole milk powder, both from the major supply sources and averaged across all origins, was up significantly in 2017 compared to 2016. The US dollar price of SMP from all origins was also higher in 2017 than in 2016.

The increase in imports of powdered milk and Gouda to Chile in 2017, compared to relative levels in 2016, is largely due to the increase in local consumption which has resulted in a structural deficit for dairy. Consumption surpassed production in 2015, with the gap widening to a level where consumption rates were 7.3% higher than production at the end of 2017 (Annex I).

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<sup>1</sup> Notification under subparagraph (a) of paragraph 1 of Article 12 of the WTO Agreement on Safeguards concerning the initiation of an investigation process and the reasons for it - Chile - Powdered milk and Gouda cheese. Document reference is G/SG/N/6/CHL/20 dated 9th March 2018.

Imports are therefore an important means of meeting growing rates of domestic consumption. Additionally, Chilean farmers have benefitted from this increase in consumption, to the extent that local prices in Chile have increased 10.6% between 2016 and 2017 (Annex II).

We are concerned that the imposition of safeguards on powdered milk and Gouda has the potential to cause trade diversion, potentially undermining commodity prices in all export destinations. This would impact upon the producer price for milk in all trade exposed economies. Chile is an exporter of dairy products, with many agricultural producers reliant on exports. This action may set an unhelpful precedent for those countries that are destinations for Chilean origin dairy products.

In addition, adding value from imported dairy products creates jobs and wealth in Chile and provides the potential for re-export of finished foods products.

Chile has a longstanding commitment to free trade and economic integration and has benefitted from this in the form of new markets for Chile's goods and services, which support local jobs; provide choice for consumers and businesses, and contribute to economic growth.

Chile has been at the forefront of regional and global economic integration, as an active member of the Cairns Group in support of liberalisation of trade in agricultural products; a proponent of high quality Free Trade Agreements (including with all six countries represented in this letter) and supporter of the WTO. This commitment to free trade was demonstrated most recently during Chile's hosting of the signing of the Comprehensive and Progressive Trans-Pacific Partnership Agreement and support for the decision at the WTO Ministerial meeting in Nairobi in December 2015 to eliminate export subsidies.

Countries and businesses are facing greater uncertainty and the global rules-based trading system is under considerable strain. It is important therefore that those countries and industries such as dairy who benefit from adherence to global rules and the multilateral trading system continue to demonstrate support for these institutions and the principles of transparency, non-market distortions, economic integration and open and free trade.

In conclusion, the undersigned industry groups' respectfully request that the Chilean government not proceed with the application of safeguards on these dairy products.

Yours sincerely,



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Presidente  
Centro de la Industria Lechera (CIL – Argentina)



Terry Richardson  
Chair  
Australian Dairy Industry Council (ADIC)



Alexander Anton  
Secretary General  
European Dairy Association (EDA)



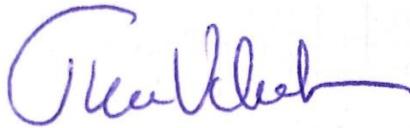
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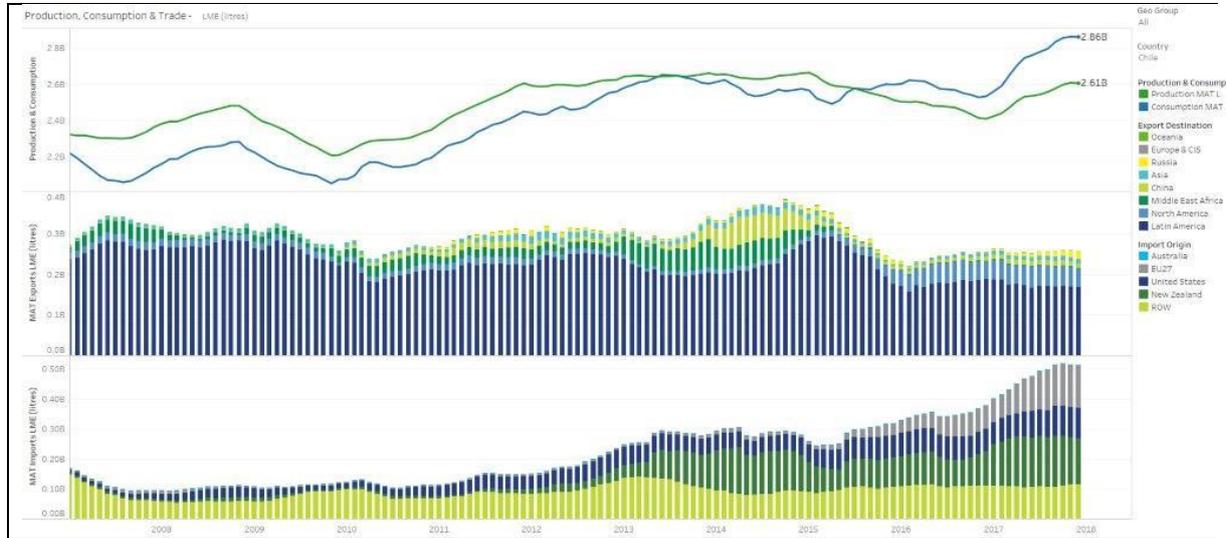
cc: Embajador D. Horacio Reyser Travers, Secretario de Relaciones Económicas Internacionales, Republica Argentina  
Hon. Steven Ciobo, Minister for Trade, Tourism and Investment, Australia  
Mrs. Cecilia Malmström, EU Commissioner for Trade  
Hon. David Parker, Minister for Trade and Economic Growth, New Zealand  
Ambassador Robert E Lighthizer, United States Trade Representative  
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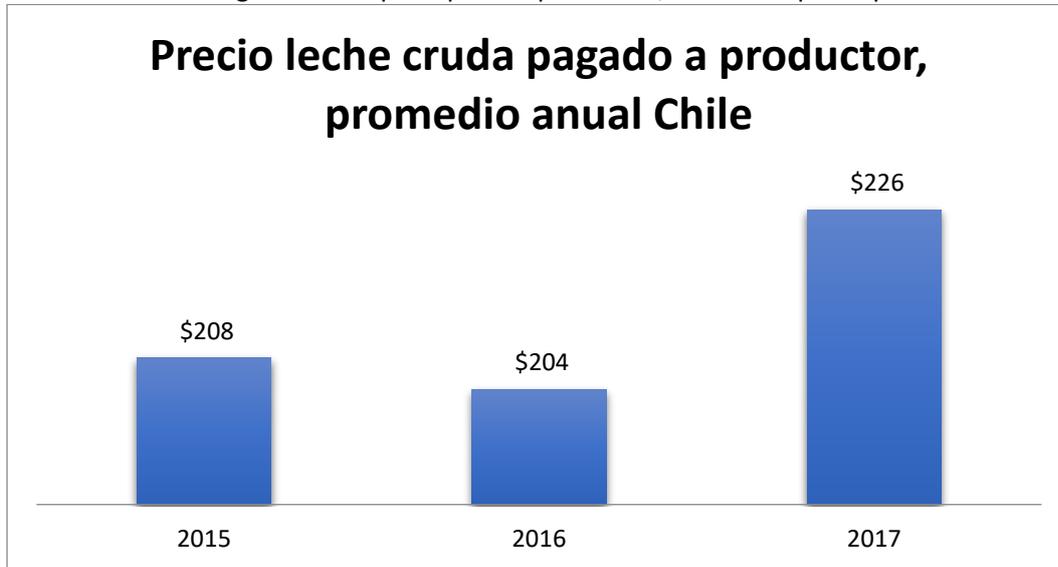
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**Annex I: production, consumption and trade in dairy products (liquid milk equivalent)**



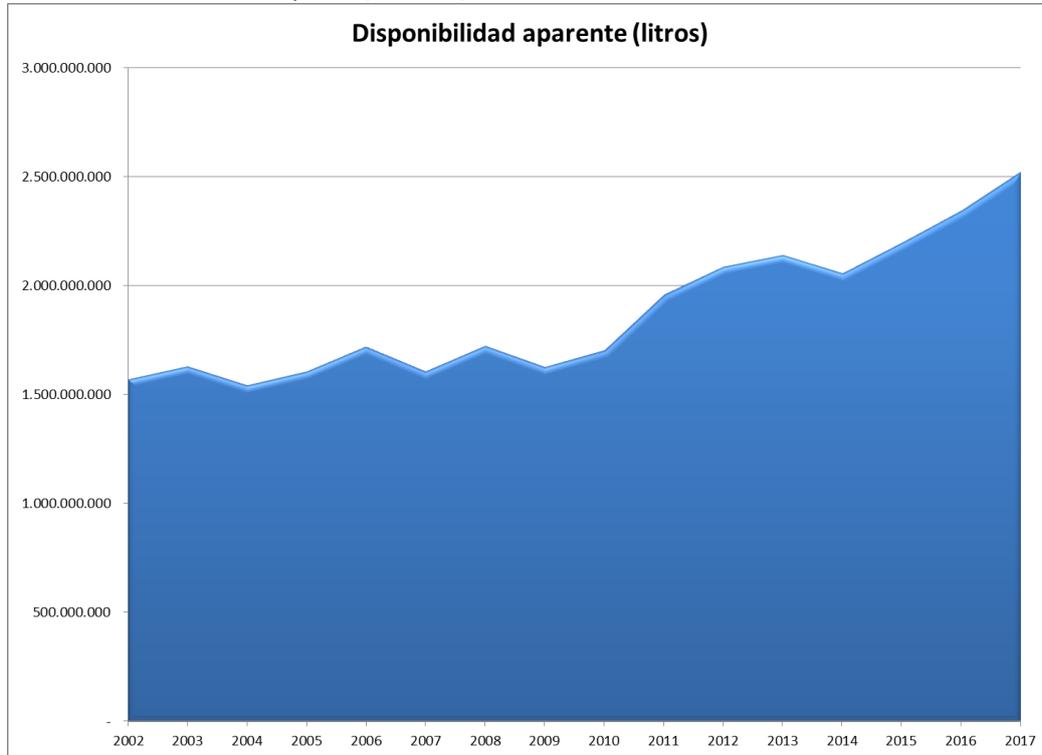
**Annex II: milk price, domestic consumption and net trade balance**

Chile: annual average raw milk price paid to producers, in Chilean pesos per litre



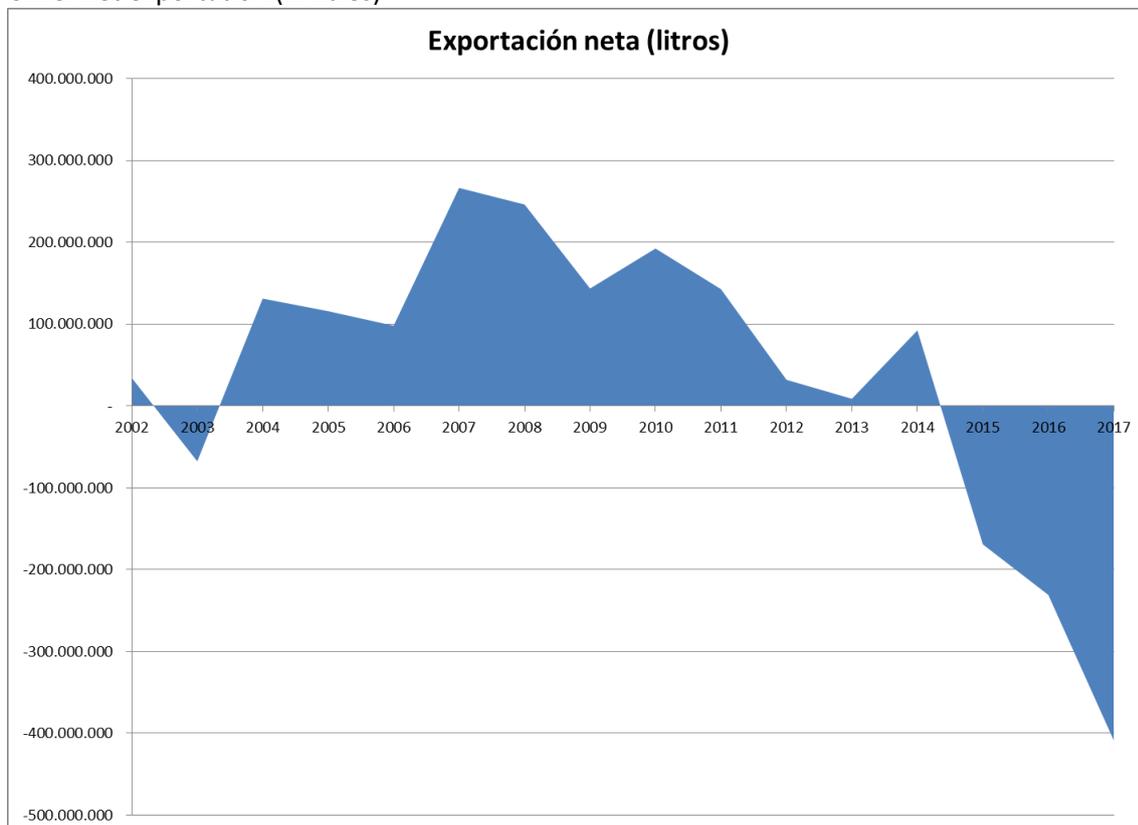
Source: Data used for analysis sourced from ODEPA

Chile: domestic consumption (in litres)



Source: Data used for analysis sourced from ODEPA

Chile: net exportation (in litres)



Source: Data used for analysis sourced from ODEPA