CHEESE IMPORTERS
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The Cheese Importers Association of America (CIAA) appreciates the opportunity to submit these comments in response to the notice published in the Federal Register on Monday, July 17, 2017, asking for ideas on how USDA *"…can provide better customer service and remove unintended barriers in our programs in ways that least interfere with our customers."* This notice follows Executive Order 13777, "Enforcing the Regulatory Reform Agenda" seeking to identify rules that, in part, are "outdated, unnecessary, or ineffective." CIAA strongly recommends the elimination of 7 CFR §6.25(b) (the rule) because it threatens the business of importing high-quality specialty cheeses, and we believe meets the test of being outdated, unnecessary, or ineffective.

CIAA submitted comments in both 2013 and 2015 when the rule was under review, and made the same recommendation. The rule has been suspended several times, and should be abandoned given the vagaries of international markets and variable consumer demand. Additionally, there have been instances beyond the control of license holders when holders have been unable to use their country quota. Importers should not be penalized for them.

As we said in our 2013 comments in response to the ANPR, the §6.25(b) license reduction provision erroneously assumes strong demand for dairy imports. Major changes in market conditions have at times prevented historical license holders from using their full license amounts. In prior years, a weak U.S. dollar; reductions in European export subsidies; weather factors in major dairy producing countries, such as Australia, New Zealand, and the EU; and a deteriorating global economy all weighed against dairy imports. Between 2004 and 2011, tonnage of cheese imports subject to licensing requirements dropped 41% - from 125 million kg of cheese to 74 million kg. In the face of this sharp decline, historical license holders struggled to avoid the 50% threshold of §6.25(b) that could have caused permanent reductions in their allotment. These circumstances were unforeseen, and could occur again in the future. In recent years we have seen increases in import volumes, largely due to a strong dollar. However, as currency exchange rates fluctuate, we can just as easily see a drop in imports due to price considerations.

We agree that it is important that trade be expanded rather than contracted, and we are concerned that the loss of historical license allocation goes against this goal. Development of the imported specialty cheese market requires substantial investment. Historical license holders, many of them small business owners, have worked for years to build sustainable, value-added businesses and develop demand for specialty imported cheeses in the U.S. Their long-term investments in affinage, product promotion, and supply and distribution chain development are substantial.

The historical import license system is beneficial because it can also result in domestic production of new types of cheeses that may have previously been unknown or in limited demand by American consumers. For example:

- Arla Foods was formed in 2000 when the largest dairy companies in Denmark and Sweden merged. The Danish company had an office here in the U.S. that for many years had been focusing on building up the market for their high quality Danish dairy products; Blue cheese, Havarti, Danish Butter, etc. They were very successful, and over the years Danish cheese became a staple on the American market. This success was in large part due to the fact that they were able to reliably and continuously import their premium products over the long term. Historical import licenses made this possible. In 2006, Arla acquired their first dairy here in the U.S. and began making variations of their popular Danish-style cheeses here in America. Arla has enjoyed great success, significantly investing in and growing their domestic production along with its import business.

- Similarly, Schuman Cheese (previously Arthur Schuman, Inc.) was founded to bring Italian cheeses to the American market. Schuman Cheese now has expanded capabilities to complement its original import business as a cheese maker, processor and product innovator. The same argument about historical licenses allowing for the company's growth applies in this case.
- After successfully importing various Swiss cheese delicacies from Switzerland for many years for the American market, Emmi Roth USA has now expanded their business and is producing various domestic cheeses at two manufacturing facilities in Wisconsin. Emmi Roth USA continues to grow both businesses and knowing that the company can count on historical import licenses allows them to continuously plan and market both the importing and domestic business for the long term.

Because CIAA believes that license reduction can be the "unintended barrier" that the Executive Order seeks to remove, we respectfully urge and recommend that 6.25(b) be eliminated.

The CIAA looks forward to continuing to work with you on improving systems to facilitate responsible trade that responds to market conditions.

Sincerely,

Ken Olsson
President