



# EXPANDING FREE TRADE IN NORTH AMERICA WITH USMCA

Expanding trade through the renegotiation of the North American Free Trade Agreement (NAFTA) is an opportunity to increase market access for America's dairy farmers and producers.

- Mexico is currently the largest export destination for U.S. dairy products, with America commanding 73% of Mexico's import market and \$1.4 billion in sales in 2018.
- Only limited market access to Canada is granted under NAFTA.

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**The U.S. dairy industry welcomes the conclusion of the United States–Mexico–Canada Agreement (USMCA) negotiations and urges Congress to move quickly to ratify this treaty.** The USMCA will restore certainty to U.S.-Mexico trade relations and make significant improvements to U.S. dairy access to the Canadian market.

- The USMCA maintains the U.S.-Mexico trading structure of NAFTA, preserving U.S. dairy's ability to ship to Mexico duty-free.
- While the USMCA does not address the full range of Canada's problematic tariff and non-tariff policies, it has made important advances on both of those fronts, including reforms to Canada's controversial dairy pricing system.
- The USMCA broke new ground by establishing a strong sanitary and phytosanitary chapter, as well as provisions aimed at tackling the misuse of geographical indications that erect barriers to U.S. exports of products that rely on common food names.
- Proactive implementation will be critical to the USMCA's success in ensuring Canada's compliance with both the letter and the spirit of the USMCA dairy provisions, including the following items:
  - Effectively implement export surcharges on skim milk powder, milk protein concentrate and infant formula;
  - Ensure reclassification of products Post Class 7 based on end use is appropriately carried out in keeping with the intent of the agreement;
  - Ensure full utilization of the market access granted under USMCA and existing programs.

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## **The Bottom Line:**

- The USMCA is poised to bring substantial improvements to the North American dairy trade, expanding export opportunities and benefiting America's dairy farmers and producers.
- Congress must quickly ratify this treaty and work with the Administration to ensure its provisions are implemented with good faith and enforced accordingly.
- However, the full benefits of the USMCA will not be realized until the Section 232 tariffs on steel and aluminum are lifted and Mexico removes their retaliatory tariffs on dairy products.

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**USDEC and NMPF stress the importance of quickly ratifying the USMCA while simultaneously working to end retaliatory tariffs on agricultural exports.**