

Comments Regarding Foreign Trade Barriers to U.S. Exports for 2020

Executive Summary

Background

Expanding opportunities for U.S. dairy exports has become extremely important to the U.S. dairy industry as growing sales overseas play an indispensable role in supporting America's dairy farmers, processors, exporters and a healthy rural economy.

Free trade agreements (FTAs) that reduce or remove tariff and nontariff barriers are integral to creating U.S. dairy jobs and building a brighter future for the industry. USDEC and NMPF submitted [detailed comments](#) to the United States Trade Representative (USTR) outlining country-by-country trade barriers and encouraging USTR to resolve these challenges, including through the pursuit of FTAs with key markets.

The facts on the growing demand for U.S. dairy and the value of FTAs speak for themselves:

- In 2019, the U.S. exported more than \$6 billion in dairy products, equivalent to approximately 15% of total U.S. milk production. In comparison, before NAFTA was implemented in 1993, the U.S. exported just \$618 million worth of dairy products.
- Dairy exports with FTA partners have helped add the equivalent of \$17 billion in revenue for dairy farmers since each FTA was implemented.
- That growth is equivalent to 1.4 billion gallons of milk, greater than what Michigan, the sixth largest U.S. milk producing state, produces in one year.

The follow pages present a non-exhaustive overview of major trade issues. [The full comments can be found here.](#)

Key Trade Agreements

United States-Mexico-Canada Agreement (USMCA)

Careful monitoring and enforcement of USMCA will be necessary to ensure the U.S. dairy industry is able to reap the full benefits of the progress it made to break down trade barriers. Canada, in particular, has a long history of sustained efforts to undermine access to its market. This mandates dedicated enforcement to ensure Canada's dairy tariff rate quota (TRQ) administration procedures fully comply with USMCA, as the current system risks discouraging full utilization and valuation of the market access quantities by the U.S. In addition, Canada must fully adhere to USMCA's reforms to its trade-distortive milk pricing programs in order to avoid replicating Class 6 and 7's harmful impacts. With respect to USMCA's other trading partner, Mexico is U.S. dairy's largest export market, making the effective implementation and strong enforcement of USMCA with them key. In particular, the



enforcement of safeguards for common name cheese terms is essential as is restoring smooth and dependable regulatory trading conditions.

Phase One Agreement with China

China is the third largest export market for U.S. dairy products, importing more than \$373 million in 2019 despite the dire impact of China's retaliatory tariffs. While a Phase One agreement made critical progress by resolving numerous regulatory impediments for U.S. dairy exports, retaliatory duties still place U.S. exports at a disadvantage and China has to date not prioritized increased dairy purchases to meet its Phase One agriculture purchasing commitments. Targeted tariff relief and a focused pursuit of greater dairy sourcing from the U.S. is necessary moving forward.

Phase One Agreement with Japan

The Phase One agreement made progress to expand market access for U.S. dairy products and secured imported market access parity on various tariff lines. However, a comprehensive FTA is necessary to address remaining market access needs and institute the nontariff commitments necessary to help provide for dependable trading conditions in the future.

Future Trade Negotiations

Negotiating time and effort would be best concentrated on agreements likely to yield net agricultural benefits, position U.S. dairy to better compete, and secure broad congressional support. It is also critical to target markets where U.S. dairy is competing head-to-head with major dairy exporters, in order to ensure that the U.S. can remain competitive in global markets. To that end, USDEC and NMPF support the ongoing FTA negotiations with the United Kingdom and Kenya and strongly urged a focus on Asian markets, particularly those in Southeast Asia, including Vietnam.

Selected Major Trade Barriers

Geographical Indications (GIs)

The European Union (EU) has sought to effectively monopolize common cheese terms around the world via the misuse of GIs. This is a blatant attempt to limit competition using protectionist trade policies. It is essential that the U.S. take a proactive approach to secure clear confirmations preserving U.S. companies' rights to continue to use common cheese terms. This is an issue of note reaching far beyond Europe alone, impacting in markets all around the world including across Latin America, the Middle East, Africa and Asia.

Unscientific Import Requirements

The U.S. dairy industry has seen challenges arise related to unscientific import requirements and burdensome regulatory mandates. For instance, this is an issue of note in the EU, where U.S. dairy has navigated overly prescriptive EU requirements, including new dairy and composite certificate requirements that impose specific animal disease oversight system and documentation procedures,

overreach on limiting the use of veterinary drugs and commonly used antimicrobials, and other unscientific requirements. Another strong example of dairy trade barriers can be found in India, where the Indian dairy health certificate remains the largest hindrance to U.S. exporters seeking to meet the growing dairy demands in this market. Challenges in other markets are detailed further in the comments.

Countries Covered in the Comments

The [full comments](#) submitted to USTR expand upon challenges and opportunities facing U.S. dairy exports in more than 30 foreign markets.

- Australia
- Brazil
- Chile
- Canada
- Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and Dominican Republic
- China
- Colombia
- Ecuador
- European Union
- Gulf Cooperation Council (Oman, Qatar, Saudi Arabia)
- India
- Indonesia
- Israel
- Japan
- Kenya
- Korea
- Malaysia
- Mexico
- Morocco
- Peru
- Philippines
- Russia
- Singapore
- Switzerland
- Taiwan
- Thailand
- United Kingdom
- Vietnam