



**Comments by the
National Milk Producers Federation and the U.S. Dairy Export
Council on Advancing Inclusive, Worker-Centered Trade Policy
Docket Number USTR-2023-0004**

Our organizations submit the following comments in response to the Request for Comments on Advancing Inclusive, Worker-Centered Trade Policy (USTR-2023-0004).¹ The National Milk Producers Federation (NMPF) and the U.S. Dairy Export Council (USDEC) appreciate the opportunity to present their views on this important issue.

NMPF develops and carries out policies that advance the well-being of dairy producers and the cooperatives they own. The members of NMPF's cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of dairy producers on Capitol Hill and with government agencies. NMPF provides a forum through which dairy farmers and their cooperatives formulate policy on national issues that affect milk production and marketing. NMPF's contribution to this policy is aimed at improving the economic interests of dairy farmers, thus assuring the nation's consumers an adequate supply of pure, wholesome, and nutritious milk and dairy products.

USDEC is a non-profit, independent membership organization representing the global trade interests of U.S. dairy farmers, dairy processors and cooperatives, dairy ingredient suppliers and export trading companies. Its mission is to enhance U.S. global competitiveness and assist the U.S. industry to increase its global dairy ingredient sales and exports of U.S. dairy products. USDEC and its 100-plus member companies are supported by staff in the United States and overseas in Mexico, South America, Asia, Middle East and Europe. Dairy Management Inc. founded USDEC in 1995 and, through the dairy checkoff program, is the organization's primary funder.

Agriculture's Importance to Rural and Urban Communities

Urban communities are highly dependent on U.S. agriculture for their sources of food, fuel and fiber, and agriculture is highly dependent on trade. U.S. dairy is an essential component of American communities across the country, supporting 3.2 million jobs, and generating \$49 billion in direct wages and another \$794 billion in overall economic impact.² Ninety-seven percent of U.S. dairy farms are family owned and operated. The U.S. dairy industry continues to grow and bring economic expansion in rural communities – primarily driven by international trade and exports.

Yet, for the U.S. dairy industry to continue to provide a stable supply of food for consumers both here in the United States and abroad, and to foster economic growth and jobs in rural communities, the U.S. government must commit to pursuing greater global market opportunities.

¹ 88 Fed. Reg. 38,118 (June 12, 2023).

² <https://www.idfa.org/dairydelivers>

Trade Agreements' Role in Advancing Worker-Centered Trade Policy

An inclusive, worker-centered trade policy should reflect the central role that trade agreements and exports play for the agricultural economy and the many farmers and rural workers that rely on it. Expanding export sales don't only support America's farms, but also workers in companies supplying inputs and services, in downstream food manufacturing plant jobs, and in cities with large port facilities heavily dependent on trade.

U.S. trade agreements have been indispensable tools for increasing U.S. dairy exports. Beginning with the North American Free Trade Agreement (NAFTA) in 1994, trade agreements have enabled U.S. dairy exporters to compete on either a more level playing field or at an advantage with international competitors through tariff access, the removal of nontariff barriers and the establishment of clear and consistent rules for trade. For perspective, in 1993, the year before NAFTA, the United States sold just \$618 million worth of dairy products overseas. In 2022, the United States sold \$5.5 billion to just its FTA partners, and \$9.5 billion in total to the entire world. Yet as global demand for dairy continues to grow and American dairy producers work hard to retain their family farms, further progress is needed.

In addition to providing critically important market access for U.S. dairy and other exporters and their workers, comprehensive free trade agreements have also made significant progress in levelling the playing field for U.S. workers. With each free trade agreement over the past thirty years, the United States has been progressively more successful in leveraging the strong economic ties provided by those agreements to raise labor and environmental standards abroad, culminating in the strongest such provisions to date in the U.S.-Mexico-Canada Agreement. That dynamic would continue to hold in future comprehensive trade negotiations and remains the best hope for the United States to establish its vision of worker-centered trade with its allies and trading partners.

The United States has not been alone in deploying comprehensive FTA negotiations to advance labor and environmental priorities in addition to its economic interests. The European Union has continued to promote its interests and its vision through its economic partnership agreements, through a unique model that reflects its different interests and approaches. If the United States must now revise the model it has used in the past to reflect new priorities and to address perceived past shortcomings, this would not diminish the value of harnessing comprehensive FTAs to achieving those priorities. Whereas failure to pursue such agreements would cede ground to competitors who continue to use FTAs to strengthen their economic opportunities and limit our own, and result in a major set-back for American workers over time.

Importance of Inclusive Approach to Setting Worker-Centered Trade Policy

America is a large and diverse country. A well-designed worker-centered trade policy must focus on all workers, including those in rural communities such as dairy farmers and dairy manufacturing workers. Any notion that trade has not helped American workers dismisses the reality that proactive trade agendas have supported workers throughout the U.S. dairy sector, which is primarily concentrated in rural communities.

Since the 1990s, Administrations from both parties have consistently encouraged the U.S. dairy community to focus on exports. The U.S. dairy industry has done just that, taking advantage of the growing global appetite for high-quality dairy nutrition. USDEC has been on the forefront of working to drive forward that export strategy, including through investments in overseas offices and USDEC personnel promoting U.S. dairy in markets around the world. Since USDEC's founding in 1995, U.S. dairy exports by value have had a compound annual growth rate of 10%, representing a stark shift from what had been a strictly import-sensitive industry to one embracing the value and need for external growth.

Trade has helped the U.S. economy grow, provide new opportunities and create more jobs in many areas. While there is an opportunity to improve trade agreements to negotiate more equitable effects for workers, this certainly does not imply the need to abandon comprehensive trade deals altogether. To the contrary, the widely bipartisan USMCA sets a template for trade deals that drive economic activity and are pro-worker.

Global Examples of Pro-Worker Trade Policies

It is important to note that Canada and countries in Europe that have robust labor and environmental approaches continue to promote and expand trade agreements to their benefit. Negotiating new approaches to labor, climate and other priorities need not be at odds with creating new market opportunities through lowering tariffs. Foreign tariffs and other market access barriers continue to exceed those in the United States, and comprehensive trade agreements remain the most effective tool for removing or reducing those barriers – a reality that U.S. trade competitors in other developed countries readily embrace.

Specific Examples of U.S. Trade Agreements' Benefits

As noted above, U.S. trade agreements that have reduced or removed both tariff and nontariff barriers to U.S. dairy products have greatly benefitted farmers and workers throughout the dairy supply chain.

A few specific examples include:

- **U.S.-Korea FTA:** Tariff elimination has been instrumental to allowing U.S. dairy exporters to maintain pace with the European Union and New Zealand, both of which have their trade agreements with Korea. Without this FTA, American dairy exports could not have been able to sell \$571 million of product in the Korean market in 2022.
- **U.S.-Japan Trade Agreement:** The limited trade agreement with Japan has helped bring dairy import tariff rates closer to parity with U.S. trade competitors, leading to the U.S. dairy industry exporting \$520 million worth of products to Japanese customers last year.
- **Latin America FTA:** Trade agreements with Central and South American trading partners, including the Dominican Republic-Central America FTA (CAFTA-DR) and bilateral agreements with Panama, Colombia, Peru and Chile, have positioned the United States as a reliable supplier in those markets for high-quality dairy products as

the trade agreements phase in and tariff rates continue to decrease. In addition to tariff benefits, the U.S.-Chile trade agreement established a workable process for dairy facility listing requirements, addressing a major nontariff barrier that impeded dairy exports prior to implementation. Similarly, the U.S.-Panama FTA established systems recognition commitments for U.S. dairy exports which addressed various trade impediments at the time and has served to ward off additional challenges since then.

Thanks to the benefits of those agreements, U.S. dairy exports to our Latin American FTA partners (excluding Mexico which alone totaled \$2.5 billion last year due to USMCA) amounted to \$996 million in 2022. Had the United States not secured FTAs with each of the markets, EU FTAs – which are now in place with each country – would have instead put U.S. exporters at a major disadvantage, despite the proximity advantages.

Recommendations

To continue to create jobs and support dairy farmers and dairy manufacturing workers alike, the U.S. dairy industry strongly encourages the robust enforcement of existing trade agreements and the pursuit of new ones as of the utmost importance.

As a means of developing a new model of a comprehensive FTA, the United Kingdom could serve as a good partner. As a high-wage economy with high labor and environmental standards and a shared appreciation of climate and other challenges facing the world today, the United Kingdom would share our interest in raising the bar for what a modern FTA should look like. The resulting agreement could serve as a model FTA template for future administrations, a durable floor to build upon, one with a lasting impact.

NMPF and USDEC's strong preference is the pursuit of comprehensive trade agreements to establish lasting trade barrier reductions on both the tariff and nontariff fronts. However, agreements like the Indo-Pacific Economic Framework can also provide an opportunity to contribute to rural economic health through the elimination or reduction of both tariff and nontariff barriers to U.S. dairy exports.

On behalf of the National Milk Producers Federation and the U.S. Dairy Export Council's 100-plus member companies, we appreciate the opportunity to provide comments on this important issue, and we remain available to provide any further clarification as needed. Should you have any questions, please feel free to contact Shawna Morris, whose contact information is provided below.

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