



Trey Forsyth
Special Assistant to the Chief Agricultural Negotiator
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20506

**Comments and Testimony by the
National Milk Producers Federation and the U.S. Dairy Export Council
on the Hearings Regarding Trade Distorting Policies That May Be Affecting Seasonal and
Perishable Products in U.S. Commerce
Docket Number USTR-2020-0010
August 3, 2020**

Dear Mr. Forsyth:

Our organizations submit the following comments and intended testimony in response to the notice on Hearings Regarding Trade Distorting Policies That May Be Affecting Seasonal and Perishable Products in U.S. Commerce (USTR-2020-0010).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. Our witness, Jaime Castaneda, looks forward to testifying to the points below at one of the USTR-hosted August hearings on this topic. Dairy has been a frequent topic of tariff retaliation by Mexico against U.S. exports; another wave of retaliation could put at risk U.S. dairy sales of up to \$1.5 billion a year with serious consequences for the economic wellbeing of U.S. dairy farmers and manufacturers.

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. The U.S. is home to approximately 34,000 dairy farmers, spread across all 50 states. There are almost 3 million American jobs directly or indirectly tied to the U.S. dairy industry and the total economic impact of those activities amounts to \$628 billion². 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.

¹ See 85 Fed. Reg. 44,354 (July 22, 2020).

² Source: Dairy Delivers, the International Dairy Foods Association's economic-impact tool



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.

Since we clearly do not represent the produce sector, we refrain from commenting on the specific dynamics related to pricing and competition in that industry. However, as the Administration weighs potential next steps on measures related to this topic, we want to ensure that it fully considers the potential for unintended consequences for other U.S. agriculture sectors. In particular, we urge you to avoid steps that would once again place U.S. dairy producers and processors in the crosshairs of a Mexican response to U.S. trade actions.

Mexico is by far the largest and most important export market for the U.S. dairy industry. Last year U.S. dairy sales to Mexico totaled \$1.5 billion – over 25 percent of U.S. dairy exports. The U.S.-Mexico-Canada Agreement was an instrumental step in helping to re-solidify and improve our trading conditions in this critically important market following disruptions stemming from Mexico's retaliation over U.S. section 232 duties. **The imposition of Mexican Sec. 232 retaliation on U.S. cheeses was quickly followed by a decline of \$1.65 per 100 hundredweight of milk in projected dairy market prices, equating to an estimated impact of \$1.8 billion in 2018 lost revenue for U.S. dairy farmers.** It also provided an opening for our largest global competitors to expand their footholds in Mexico at our expense.

Protectionist voices among Mexican dairy farmers have regularly and actively urged Mexico's Congress to slap tariffs on U.S. dairy products and to label our dairy exports to Mexico "unfair competition." Those voices have regrettably prevailed when Mexico has considered trade retaliation in the past, not only in the section 232 context, but also in the trucking dispute, when U.S. cheese exports fell by more **than 50 percent shortly** after the imposition of Mexican retaliatory tariffs against cheese. It is therefore essential that any steps that the U.S. takes in connection with the seasonal and perishable products issue not provide grounds for Mexico to again impose restrictions on U.S. dairy exports.

Smooth implementation of USMCA at this time will be vital to reestablishing U.S. supply chains and countering further inroads by our competitors. We are counting on Mexico to abide by USMCA and of course are counting on the U.S. to work to ensure that USMCA fulfills its potential for U.S. dairy producers. This impact of the Covid-19 pandemic has created an extremely volatile time for our industry this year with markets still in a recovery process. Our industry has been battered by low milk prices and declining farm numbers in recent years and urgently needs to experience not only dependable trade conditions, but to see the promise of new opportunities as well in order to solidify a resumption of market demand for dairy.

On behalf of dairy producers and processors across the country, 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.

Point of Contact:

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