

June 21, 2021

Dr. Melissa R. Bailey
Agricultural Marketing Service
United States Department of Agriculture
Room 2055-S, STOP 0201
1400 Independence Avenue SW
Washington, DC 20250-0201

**Comments by the U.S. Dairy Export Council
on Supply Chains for the Production of Agricultural Commodities and Food Products
Docket Number AMS-TM-21-0034**

Dear Dr. Bailey:

Our organization submits the following comments in response to the notice on Supply Chains for the Production of Agricultural Commodities and Food Products (AMS-TM-21-0034).¹ The U.S. Dairy Export Council (USDEC) appreciates the opportunity to present our views on this important issue.

U.S. dairy exports are critically important to the economic health of America's 32 thousand dairy farmers, the over 3 million American workers whose jobs are supported by the U.S. dairy industry such as farm workers, milk haulers and dairy processing plant employees, and the millions of Americans across the country who depend on a robust dairy supply chain. In 2020, the U.S. exported over \$6.6 billion in dairy products worldwide, equivalent to approximately 16% of total U.S. milk production. The U.S. dairy industry prides itself on its reputation for producing high quality products while serving as an agricultural sector leader on improving sustainability.

The supply chain underpinning dairy's critical export pillar has been facing unique stresses during the global Covid pandemic; the dairy-specific elements of that supply chain have fared strongly yet the wider supply chain upon which dairy exports rely is facing severe challenges.

On the one hand, the dairy supply chain was able to withstand the stresses of last year's shutdowns because the industry moved swiftly to adapt product flows and international markets remained open, allowing exports to continue to flow. A global pandemic could have brought trade to a crashing halt, resulting in a harmful back-up of product onto the domestic market and soaring food prices for overseas consumers facing more limited supplies. The fact that it did not is a testament to the resiliency of the numerous pieces of the supply chain involved in getting U.S. dairy products from American dairy farms to dairy plants and then

¹ See 86 Fed. Reg. 20,652 (April 21, 2021), 86 Fed. Reg. 26,689 (May 17, 2021).

ultimately to foreign customers. U.S. dairy farmers continued to produce high-quality milk, processors continued to produce high-quality dairy products, USDA's Agricultural Marketing Service (AMS) continued to issue dairy certificates providing the documentation needed for our products to be imported abroad, and the U.S. government as a whole worked collaboratively with governments around the world to reinforce the importance of ensuring that food and agricultural trade was not disrupted due to new barriers. This was a resounding success story.

More recently, however, the economic rebound from the depths of the pandemic as well as pandemic-induced shifts in consumption have brought with them severe stresses to the dairy supply chain, in the form of West Coast shipping bottlenecks that have driven up export costs and delayed shipments. This threatens both near-term export performance and the long-term reputation for reliability of U.S. dairy and other agricultural exports.

The strong surge in U.S. online shopping and resurgent U.S. demand for imports, coupled with a disregard by some companies of the Federal Maritime Commission's Detention and Demurrage Guidelines issued last year, have led to a shortage of shipping containers and congestion at West Coast ports. In a typical year, approximately 65% of West Coast shipping containers are shipped back overseas loaded with U.S. exports; in 2021 however, this is now estimated to have fallen to only 50% as companies seek to return the containers as swiftly as possible to Asian ports to reload for additional imports into the U.S. This has led to much higher shipping and storage costs, along with abuses by ocean carriers in the form of "demurrage" and "detention" charges for containers not removed or returned from port terminals on schedule – frequently due to actions of the carriers themselves. Steps must be taken by the U.S. government to enforce shipping carriers' obligations under the Shipping Act to adhere to fair trading practices in keeping with Federal Maritime Commission guidelines issued last year. In addition, the Administration should look for further steps that could be taken to provide relief to U.S. agricultural exporters under present law. U.S. exporters cannot continue to endure the present delays, unpredictability, and excessive fees; these conditions are wreaking havoc on U.S. competitiveness and its reputation for reliability.

Looking past the present shipping crisis, additional measures are also needed to strengthen the resiliency of our supply chain – in particular those that would expand market opportunities around the world for U.S. dairy exports. Diversification is an important risk-mitigation strategy; robust access to export markets through trade policies that lower foreign tariffs and establish less burdensome, more predictable trading conditions is a key element to building a broad demand base across a variety of markets. To accomplish this, we encourage the pursuit of trade agreements with key trading partners including the UK, Japan, China and dairy-importing markets in Southeast Asia, coupled with additional negotiations focused on uprooting non-tariff barriers to trade and establishing more dependable terms of trade in the policy and regulatory arena. The longer the U.S. does not pursue new trade agreements that expand opportunities for our exports, the further behind the U.S. slips in terms of competitiveness against other major dairy suppliers to key markets. The EU and New Zealand have been actively pursuing their own trade agreements the last several years and it is critical



that the U.S. do so as well, particularly in regions that are strong importers of dairy products such as the UK and throughout Asia.

Without expanded market access opportunities, the supply chain connecting American-made milk to foreign consumers is coming under greater pressure as it becomes harder over time for U.S. exporters to bridge the competitiveness gap they face with other dairy exporting countries. To address this, we strongly urge the pursuit of new trade agreements to ensure that the U.S. dairy industry has a diverse range of healthy markets to which it can supply its high-quality, sustainably produced products. This broader reliance on a greater variety of markets lessens the exposure facing our industry when upheaval strikes in any one market.

On behalf of USDEC'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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