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**International Dairy Foods Association
U.S.-UK Trade Agreement: Public Hearing Panel
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Good morning. My name is Dave Carlin. I am the Senior Vice President of Legislative Affairs and Economic Policy of the International Dairy Foods Association. IDFA represents the nation's dairy manufacturing and marketing industry, which supports nearly 3 million jobs and has an overall economic impact of more than \$628 billion. IDFA members range from multinational organizations to single-plant companies. Together they represent 90 percent of the milk processed and marketed in the United States.

Transformation to a Global Competitor

After being a net importer of dairy products roughly a decade ago, the United States now benefits from a dairy trade surplus of more than \$2 billion and sends American dairy products to over 140 countries around the world.

Free trade agreements like the USMCA that open markets and lower trade barriers are crucial to continuing this trend of growing U.S. dairy exports. Maintaining and expanding access to international markets is essential for the future success of the U.S. dairy industry.

Negotiating Objectives

The U.S. dairy industry welcomes a trade agreement with the UK. It is imperative that this agreement be comprehensive in scope and provide meaningful market access across all dairy tariff lines. Tariffs and non-tariff barriers must be eliminated to give U.S. dairy exports a level playing field.

The UK has the potential to be a large export market for the U.S. dairy industry as it is a net importer of dairy products. In 2017, the UK imported \$3.1 billion in dairy products. Of that, only \$8.8 million was from the U.S. while \$3 billion was from the European Union (EU). As a member of the EU, the UK tariffs on U.S. dairy imports are significant. For instance, the tariff on U.S. cheese is 188.20 Euros per 100 kilograms (\$215.23/100 kg); the tariff on U.S. butter is 186.90 Euros per 100 kilograms (\$213.72/100 kg); and the tariff on U.S. skim milk powder is 125.40 Euros per 100 kilograms

(\$142.94/100kg). Assuming tariffs are eliminated, there are opportunities for the U.S. to export larger amounts of cheese, butter, whey, and milk powders as well as cream, yogurt, buttermilk, and condensed milk to the UK.

Until the outcome of Brexit is settled and the customs arrangement between the UK and the EU is finalized, it is difficult to quantify the potential gain in market share for the U.S. Furthermore, it is critical that an independent United Kingdom not adopt any of the EU regulations that curtail U.S. dairy exports to the region. Otherwise, any benefit or gains made in market access will not be realized.

Geographical Indications

I would like to highlight two areas where improvements to existing EU regulations could yield great benefits to U.S. dairy exports to the UK. First, geographical indications (GIs) are a significant market challenge for the U.S. dairy industry. GIs are an attempt by the EU to monopolize usage of certain cheese and other food names that the U.S. and many other countries regard as generic. Retaining the use of product names that have long been commonly used in the U.S. and around the world is a crucial issue for the U.S. dairy and processed foods industries, with generic cheeses being the primary target.

The importance of these well-recognized cheese names goes beyond their significant commercial impact to the U.S. dairy industry, however. Preservation of the right to continue using these names affirms what producers throughout much of the New World and certainly this country strongly believe to be true – that we are using these terms in good faith and largely as a result of the influence of generations of European emigration. The EU's desire to turn back the clock and claw back names that had already become generic is an outrage to the many U.S. companies – small and large – that helped build the markets for these products, as well as to the industry as a whole through the incorrect suggestion that our use of these terms has not been legitimate.

IDFA urges the U.S. government to oppose any effort by the UK to adopt similar GI regulations that ban our food producers from using cheese names that have long been generic internationally and in the U.S. market and run counter to international trade commitments.

Sanitary and Phytosanitary Measures

Second, we need to have a stronger, more scientific set of sanitary and phytosanitary measures that would govern future U.S./UK dairy trade. The U.S.-Mexico-Canada Agreement (USMCA) chapter on sanitary and phytosanitary measures should serve as the basis for the U.S.-UK trade agreement. The agreement should include critical key improvements including strengthening disciplines on science and risk analysis; provisions on “equivalence” in regulatory systems; disciplines on Import Checks; transparency in rulemaking; and adoption of trade facilitative residue levels and adventitious presence mechanisms.

Closing Remarks

The U.S. dairy industry faces high tariffs and other non-tariff barriers such as restrictions on common cheese names due to the United Kingdom’s membership in the European Union. Once the UK is no longer a member of the EU, IDFA urges the administration to negotiate a comprehensive trade agreement with the UK that covers all dairy products; eliminates current tariffs; increases market access; incorporates strong SPS provisions; and protects the use of common cheese names.

Thank you for the opportunity to testify at today’s hearing. I look forward to answering your questions.