



June 30, 2020

The Honorable Gregg Doud
Office of the United States Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Ambassador Doud:

On behalf of the nation's dairy processing industry, I want to reiterate our sincere appreciation for all that you, Ambassador Lighthizer and the administration did to ensure that the U.S. dairy industry will have meaningful access to the Canadian market once the U.S.-Mexico-Canada Agreement (USMCA) enters into force on July 1. The terms of the agreement negotiated by the administration will provide our industry with a strong foundation on which to build a more robust dairy trading relationship with Canada. Moreover, the agreement includes new dispute resolution mechanisms should unfair barriers to trade crop up that require action by the United States government.

To that end, we are troubled by a recent announcement by Global Affairs Canada (GAC) regarding their implementation plans for dairy product tariff rate quotas (TRQs). After careful review, we believe that Canada is limiting certain U.S. dairy exports by maintaining restrictive TRQs and not moving quickly enough to implement a tariff rate quota (TRQ) administration system that is consistent with USMCA's Agriculture Chapter (the Agreement) as well as the annex on TRQs in the Canadian Schedule (Appendix 2: Tariff Schedule of Canada - Tariff Rate Quotas). For example, the Agreement prohibits the introduction of any new conditions or eligibility requirements on the utilization of a TRQ beyond those set forth in the Canadian Schedule. However, the proposed TRQs for many dairy products impose eligibility and allocation calculation conditions that clearly fall outside of those set forth in the Canadian Schedule. One egregious example is limiting access to the "Cheese of All Types" TRQ to just 15% for distributors and allocating 85% to processors. There is no such restriction in the Canadian Schedule. The Agreement also requires parties to ensure that they do not "limit access to an allocation to processors" unless otherwise agreed to by the parties. However, the GAC announced new restrictions that eliminate the opportunities for distributors to import bulk and retail-ready butter across the entire quota year, and initially allocates access at the start of the quota year predominately into the hands of Canadian processors based on their market share from domestic milk rather than import activity. We believe that the proposed Canadian TRQ administration system violates these requirements with respect to most dairy TRQs and does not incentivize consistent value-added imports across all players in the Canadian dairy industry.

Per our earlier conversation, I am formally registering our organization's deep concerns regarding Canada's non-compliance with the clear terms of the Agriculture Chapter of the Agreement. I very much appreciate your willingness to consider our views on this matter which is critically important to our industry. To that end, please let me know how we can work with you and your colleagues to ensure that Canada lives up to the commitments it made when it ratified the Agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Dykes". The signature is fluid and cursive, with a large initial "M" and a long, sweeping tail.

Michael Dykes, D.V.M.
President and CEO