

IDFA's Trade & Environmental Sustainability Principles

April 2021

The membership of the International Dairy Foods Association (IDFA), which represent more than three million U.S. jobs in small, medium- and large-sized dairy manufacturing and retail companies, are making significant steps towards achieving measurable, science-based environmental sustainability outcomes that benefit our consumers and the planet. IDFA members share the objectives of the global community that the environmentally sustainable production and consumption of dairy products is a priority and acknowledge that U.S. dairy is already well on its way to achieving those objectives.

Despite these shared objectives and the progress of our members in achieving them, however, concern remains that U.S. trading partners may choose tools to reach their environmental sustainability objectives that are incompatible with U.S. actions. Worryingly, the potential looms for these trading partners to undertake measures in the name of shared environmental sustainability objectives which may ultimately severely damage trade relationships with the United States. If U.S. trading partners were to, for example, create environmental sustainability requirements that dismiss existing World Trade Organization (WTO) obligations, are not science-based, and prevent continuous innovation, U.S. dairy may be discriminated against without cause and blocked from global markets.

IDFA stands ready to partner with the U.S. government to keep this from happening. IDFA urges the U.S. government to take a position of global trade policy leadership to ensure that the policies of its trading partners and our trade agreements are not used to unfairly discriminate against the U.S. dairy industry. IDFA proposes the following key principles related to environmental sustainability to facilitate the U.S. government's leadership on these matters on behalf of U.S. dairy.

Key Principles: IDFA respectfully requests the U.S. government endeavor to incorporate the following principles into any trade negotiations or technical discussions related to environmental sustainability that may impact dairy trade.

- **Review Prior to Regulating:** Countries should assess the existing private sector initiatives on environmental sustainability, their consistency with national and global objectives, and their efficacy before considering the need for a national-level measure. Countries should equally ensure any existing private sector initiatives are taken into account should a measure be implemented.
- **No Prohibition of Goods:** Countries should not prohibit the marketing and sale of goods, or otherwise discourage their consumption, on basis of the good's alleged or perceived sustainability performance.

- **Measures Based on Actual Performance:** If measures are taken, consistent with other measures subject to obligations of the WTO Agreement on Technical Barriers to Trade (TBT), any environmental sustainability measures implemented should be done on the actual evidence-based environmental sustainability performance of the product or sector, not based on potential, alleged, or perceived environmental harm.
- **Non-Discriminatory, Non-Trade Restrictive Measures:** Consistent with other measures subject to obligations of the WTO TBT Agreement and Sanitary and Phytosanitary Measures (SPS) Agreement, any sustainability measures impacting trade should be undertaken in a manner that is no more trade restrictive than necessary and does not treat imported products less favorably than those of national origin.
- **Limitations on Taxation and Tariffs:** Countries or international organizations (e.g. the United Nations) should not propose taxation or tariffs on the movement of a good nor on its point of sale based on its potential, perceived or alleged environmental sustainability performance. Likewise, countries or international organizations should not use taxation or tariff reductions to promote consumption of a good based on its potential, perceived, or alleged positive environmental sustainability performance.
- **Voluntary Measures Related to Consumer Information:** Any measures related to labeling of a product's sustainability status should be voluntary and should consider and minimize the costs of compliance prior to being implemented. Such measures should also provide factual, not misleading information based on internationally agreed metrics and science and must not be a pre-requisite for market access.
- **Use of International Standards and Metrics:** If available, countries should use existing international standards when considering implementing environmental sustainability measures impacting trade. When implementing such measures, countries should ensure any metrics of the measure's success are internationally agreed and are supported by transparent, science-based evidence. In the absence of internationally agreed standards and metrics, the United States should lead their development, where appropriate.
- **Outcome-Based, Not Prescribed:** Countries agree that measures related to environmental sustainability for particular commodities should focus on achievable outcomes, rather than prescribing the manner in which each industry respectively achieves those outcomes.
- **Science and Risk-Based:** Countries must agree that sustainability, insofar as it seeks to protect human, animal or plant, life or health on Earth holistically in the long term, is subject to existing SPS commitments that measures must be based

on an assessment of risk and have scientific justification.

- **Ensure Continued Innovation:** Countries agree not to undertake measures that discourage, disincentivize, or otherwise limit or prevent agricultural and food production innovation and the development and use of new production technologies under the guise of advancing sustainability objectives.
- **Take Regional Conditions into Account:** Countries acknowledge environmental conditions may vary from one country or region to another, as does agricultural production. As such, countries acknowledge that measures needed in one country may not be an urgent environmental concern in another based on its actual conditions and an appropriate materiality assessment. Countries should use this regionalization approach, including materiality assessments, to each pursue the environmental sustainability goals most relevant and urgent to their region.
- **Sectoral Appropriateness and Flexibilities:** Just as the WTO identified the trade concerns pertaining to agriculture to be so complex as to merit separate agreements, countries should acknowledge that sustainability measures require sectorally-appropriate negotiations and consideration prior to undertaking any sustainability measure impacting broader trade.
- **Promulgation through Good Regulatory Practices:** The manner in which the United Nations (UN) Food Systems Summit is proposing sustainability measures that impact trade does not meet the basic principles of good regulatory practices, such as transparency and accountability. Such measures should be developed, published, and implemented in a manner that follows good regulatory practices, as outlined by the Organization for Economic Co-operation and Development (OECD) and the Asia-Pacific Economic Cooperation (APEC).



May 11, 2021

The Honorable Thomas Vilsack
United States Secretary of Agriculture
U.S. Department of Agriculture
1400 Independence Avenue Southwest
Washington, DC 20250

Dear Secretary Vilsack:

Today, in support of your efforts to ensure U.S. trade policy incorporates the ongoing environmental sustainability initiatives underway in the U.S. dairy industry, I am pleased to share with you the enclosed document, U.S. Dairy Trade Principles on Environmental Sustainability.

As you know, IDFA represents the dairy manufacturing and marketing industry, which supports more than three million jobs that generate \$159 billion in wages and \$620 billion in overall economic impact. IDFA's diverse membership ranges from multinational organizations to single-plant companies, from dairy companies and cooperatives to food retailers and suppliers, all on the cutting edge of innovation and sustainable business practices. Together, they represent 90 percent of the dairy products that are produced and marketed in the United States and sold throughout the world.

IDFA members place a high priority on measurable, science-based sustainability outcomes that benefit consumers and the global environment. At the same time, IDFA members rely heavily on trade with 15% of the milk produced in the United States going to export markets.

IDFA joins with the Biden Administration in aspiring toward a global trade environment that fosters continued growth in both our industry's exports and environmental sustainability initiatives. To that end, IDFA's members have developed the enclosed principles to serve as a guide for you and your colleagues as you consider environmental sustainability measures with the potential to impact U.S. dairy trade with any U.S. trading partners.

I would welcome the opportunity to meet with you and your team to further discuss IDFA's trade priorities for environmental sustainability. Please feel free to contact me at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Dykes", is written in a cursive style.

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

Cc: Acting Deputy Under Secretary Jason Hafemeister



May 11, 2021

The Honorable Katherine Tai
U.S. Trade Representative
Office of the U.S. Trade Representative
600 17th St. NW
Washington, DC 20508

Dear Ambassador Tai:

As we mark nearly two months since your historic confirmation vote, it is my pleasure to extend IDFA's offer of support in building a proactive U.S. trade policy that not only fosters the well-being of U.S. dairy workers, but also of the global environment.

As you may already know, IDFA and its members favor trade policies that are proactive, that build on the efforts of the private sector towards sustainability goals, and that position the United States as a world leader.

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As major stakeholders in world trade matters, we hope to work with you and your staff to ensure the United States leads the way globally in trade policies that promote environmental sustainability and enforcement of rules-based systems. To further elaborate on these positions, I request a meeting with you at your earliest convenience. In advance, I have enclosed two documents for your consideration.

The first document is our members' trade priorities. We shared an early version of this list with your transition team after last November's election, but by way of introducing you to IDFA, its members, and our trade interests, I wanted to share the full list again with you today. Our members are both consumers and workers, who rely heavily on trade as they export 15% of the milk produced in the United States. With U.S. milk production continuing to increase and outpacing domestic consumption, exports are a growing business priority for our members and for U.S. agriculture as a whole. We welcome the opportunity to partner with you and your agency on any of these priorities.



Ambassador Tai

May 11, 2021

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The second document is IDFA's new U.S. Dairy Trade Principles on Environmental Sustainability. These principles are intended to support your efforts to ensure U.S. trade policy incorporates the ongoing environmental sustainability initiatives of the U.S. dairy industry. IDFA members place a high priority on measurable, science-based environmental sustainability outcomes that benefit consumers as well as the environment. Current negotiations on a global agreement to address plastic pollution represent an example of the kind of effort that meets both objectives.

IDFA also actively supports the Biden Administration's aspiration toward a global trade environment that fosters continued growth in both our industry's exports and the environmental sustainability initiatives already underway. These enclosed principles are intended to assist in your discussions on environmental sustainability measures with the potential to impact U.S. dairy trade.

I would welcome the opportunity to meet with you, further introduce you to our industry, and seek areas of mutual collaboration to advance the interests of U.S. dairy workers and our environment. In the interim, should you or your staff have questions regarding IDFA's trade priorities or environmental sustainability principles further, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "Michael Dykes". The signature is fluid and cursive, written in a professional style.

Michael Dykes, D.V.M.

President and CEO

Cc: Dr. Julie Callahan
Assistant U.S. Trade Representative
Office of the U.S. Trade Representative