



IDFA Members' Trade Policy Priorities

May 2022

The International Dairy Foods Association (IDFA), based in Washington, DC, represents the nation's dairy manufacturing and marketing industry, which supports more than 3 million jobs that generate \$159 billion in wages and \$620 billion in overall economic impact for the United States. IDFA members include a range of dairy processing companies, dairy farmer cooperatives, numerous food retailers, suppliers, and other companies. Together they represent approximately 90 percent of the milk, cultured products, cheese, ice cream, infant formula and dairy ingredients produced and marketed in the United States and sold throughout the world. IDFA members are proud to provide safe, nutritious and sustainable dairy foods to people of all ages, everywhere.

Short- and Medium-Term Priorities

- A. Canada – Complete the open dispute with Canada under the U.S.-Mexico-Canada Agreement (USMCA) on their failure to abide by tariff-rate quota (TRQ) administration obligations and seek remedy of Canadian TRQ regulations and trade losses.** The U.S. International Trade Commission estimated in 2019 that the United States stood to gain approximately \$227 million in additional annual dairy exports to Canada based on the commitments in USMCA. Canada has yet to align its dairy TRQ allocation conditions with USMCA commitments. IDFA has been requesting U.S. action on these concerns since July 2020, which USTR subsequently initiated in December 2020 and May 2021 through consultations and dispute settlement, respectively. The United States exported over \$850 million in dairy products to Canada in 2021.

- B. Canada – Urge the U.S. government to conduct a legal evaluation of Canada's price class policies relative to its WTO commitments.** Since entry into force of USMCA, it has become apparent that Canada's revised price classes continue to support the export of underpriced high-value protein-dense products globally, despite the elimination of class 7 as required under USMCA. According to IDFA calculations, Canada's revised prices for protein-based products under class 4a fall well below the cost of production, creating a subsidy that unfairly supports Canadian producers who export those products and mimicking the policies deemed WTO inconsistent in the 1999 dispute against Canadian milk classes. IDFA therefore seeks U.S. government collaboration in initiating a formal evaluation of the revised price classes relative to Canada's WTO commitments.

- C. Mexico – Pursue discussions with Mexico under USMCA to elevate Mexico's increasing and wide variety of inconsistent, unscientific, and unjustified measures against dairy imports.** A variety of Mexican agencies have recently taken aim at increasing scrutiny on both dairy products and imports through a variety of measures. These measures ultimately treat imports differently than domestically produced product, create discord between regulatory agencies in Mexico, and leave wide gaps for interpretation and enforcement that are creating market uncertainty and destabilizing



the trade relationship with the biggest U.S. dairy export market. IDFA requests USTR to prioritize discussions with Mexico to ensure U.S. dairy products are treated with the favorable access established by USMCA, and to begin stabilizing the trade relationship with Mexico. The United States exported over \$1.78 billion in dairy products to Mexico in 2021.

- D. China – Take immediate action to improve commercial relationship with China by removing retaliatory tariffs and committing to maintain the gains made for U.S. dairy exporters under Phase One of the U.S.-China Agreement.** China is a top market for U.S. dairy products, and Phase One’s removal of the regulatory barriers provided a temporary boon to U.S. dairy exporters. However, the retaliatory tariffs remain a depressant to U.S. export potential in China relative to U.S. competitors and the uncertainty of the future of Phase One and the overall relationship with China is concerning to U.S. dairy exporters. U.S. exporters remain cautious that without Phase One commitments, China may reverse the removal of regulatory barriers and set U.S. dairy trade back several years. Balancing the positive gains against the removal of retaliatory tariffs while pursuing a China policy that prioritizes U.S. national and supply chain security must be a priority for the Biden Administration. The United States exported \$702 million in dairy products to China in 2021.
- E. European Union – Immediately resolve outstanding problems with the implementation of US/EU dairy certificates, ensuring future amendments are implemented without problems.** In 2020, the EU proposed new onerous certificate requirements that disregarded U.S. animal health status, previous equivalence agreements, and existing international standards. Despite these challenges, IDFA worked with both governments to ensure the extension of the implementation deadline and the successful negotiation of the certificate throughout 2021. Since its implementation in January 2022, however, the European Commission’s failure to advise its ports of the certificate changes and U.S.-specific derogations have resulted in hundreds of containers being detained, with two more amendments of the certificate planned throughout 2022. IDFA urges the U.S. government to work with the European Commission to provide a letter or guidance to European port officials that outlines instructions for acceptance of U.S. certificates and encouragement to adopt a trade facilitative approach to certificate reviews throughout 2022 while the Commission continues issuing amendments. The United States exported approximately \$122 million in dairy products to the European Union (without the United Kingdom) in 2021.
- F. Indonesia – Seek a predictable, streamlined, and expedited facility registration process.** For years, Indonesia has used its facility registration process for dairy imports as a tool to control the general quantity of imports by slowing or halting its facility registration approvals at will. As part of its preferential treatment under the Generalized System of Preferences (GSP) eligibility being reinstated in late 2020, Indonesia allegedly committed to a consistent facility registration process that would allay U.S. concerns. However, since that commitment Indonesia has delayed pending U.S. facility registrations for months on end without updates, rationale, or agreement to engage in



meaningful discussion about its facility registration. The U.S. government must pursue systemic, transparent, streamlined facility registration procedures with Indonesia that result in predictable market access for U.S. dairy exporters. The U.S. exported \$327 million in dairy products to Indonesia in 2021.

- G. United Kingdom – Complete negotiations with the United Kingdom (UK) as soon as possible and use the negotiations to provide leverage for passage of Trade Promotion Authority (TPA).** IDFA appreciates any effort by the United States government to negotiate full and comprehensive agreements that facilitate the preferential access of increased U.S. dairy products to that market. Despite missing opportunities to steer the UK towards a pro-science-based regulatory regime as part of their departure from the European Union, IDFA members nevertheless report that opportunity for growth exists for U.S. cheese and butter exports to the UK. IDFA urges the U.S. government to ensure the efforts of previous U.S.-UK negotiations and related market opportunities are not lost by completing negotiations and collaborating to ensure a vote is taken on both the proposed agreement and the reauthorization of Trade Promotion Authority (TPA) as soon as possible. The United States exported approximately \$30 million in dairy products to the UK in 2021.
- H. India – Use India’s desire for preferential treatment and the re-established Trade Policy Forum talks to advance U.S. dairy certificate and TRQ negotiations.** The U.S. negotiations with India over their eligibility for GSP under the Trump Administration resulted in the most meaningful discussions on U.S. dairy access to India in more than a decade. Though India is reluctant to give the United States access, they have no right to withhold access from those exporters willing to meet the terms of the certificate India requires of U.S. competitors. IDFA encourages the U.S. government to ensure India puts an end to the years of unfair barriers to U.S. dairy trade by agreeing to the U.S. certificate and TRQs proposed by the United States during negotiations. The United States exported \$60 million in dairy products to India in 2019, although U.S. exports have drastically declined since then due to India targeting U.S. lactose shipments during those negotiations. Previously, IDFA estimated that India as a market may have the potential to reach \$150 million annually for U.S. dairy exporters.

Long Term Priorities

- I. Work collaboratively with Congress to reauthorize Trade Promotion Authority (TPA) as soon as possible.** The future of the competitiveness of U.S. dairy exports hangs on the ability of the United States to quickly and effectively negotiate preferential trade agreements with U.S. trading partners that include meaningful access for U.S. dairy. IDFA encourages USTR to place any efforts related to TPA reauthorization as a matter of the highest priority to ensure U.S. dairy exports remain globally competitive. In 2021, the United States exported \$7.6 billion of dairy products.

- J. Pursue multilateral trade negotiations that include key dairy export markets in Asia.** Increasing U.S. preferential access to global markets through free trade agreements is a critical priority for the U.S. dairy industry to maintain a globally competitive footing. While the United States withdrew from the Trans-Pacific Partnership (TPP) and focused instead on bilateral negotiations, U.S. competitor markets continued finalizing reduced tariff access that disadvantages U.S. exporters. Whether it involves initiating new multilateral negotiations or acceding to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), U.S. dairy exporters need U.S. negotiators to prioritize multilateral negotiations that result in reduced tariff and barrier access to key markets in Asia, particularly Southeast Asia. As an example, the United States exported over \$4 billion in dairy products to TPP countries in 2021.
- K. Oppose the aspects of the European Commission’s (EC) Geographical Indications (GI) regime which are inconsistent with the WTO’s Agreement on Technical Barriers to Trade (TBT), including in third markets.** The EC’s GI strategy is not new but continues to expand and cause increasing damage to U.S. cheese exporters globally. Most recently, the EC is proposing to expand the strategy to include protection of shapes and colors, and to incorporate GIs into the EC’s overall sustainability strategy. In the meantime, the EC’s GI registration regime is already now, without such expansions, far more trade restrictive than necessary according to WTO TBT commitments. IDFA supports the United States government taking both liberalized defensive positions within U.S. mandates as well as new, innovative offensive strategies that hem the EC’s GI strategy expansion and start to minimize its third market damages.
- L. Support efforts to achieve reform of the World Trade Organization (WTO).** After years of vacant U.S. leadership at the WTO and no functioning Appellate Body, the time is ripe for the United States to re-establish its leadership on the global stage. The U.S. could exert global leadership by seeking negotiations leading to reform on a variety of reform topics that impact agricultural trade rules, including development country status and definitions, reconsideration of most-favored nation tariff levels, and subsidy limits. However, U.S. dairy exporters need more than just stagnant reform discussions to further the rules-based trade environment offered by the WTO; the U.S. must work to re-invigorate the dispute settlement mechanism within the WTO at the earliest opportunity.
- M. Support trade policy positions on environmental sustainability and related topics that align with the U.S. dairy industry’s existing initiatives and that support science-based and rules-based trade policy.** U.S. dairy has globally shared objectives when it comes to advancing the sustainable production and consumption of U.S. dairy products, but the potential exists for U.S. trading partners to use environmental sustainability as a pretense to mask non-tariff barriers to trade, without relying on the available science, risk, or international standards or metrics. U.S. negotiators should pursue trade commitments that both build on the investments of existing U.S. dairy initiatives on environmental sustainability, as well as protect U.S. trade from injury through environmental



sustainability measures being used as barriers to trade.

- N. Support the resiliency of U.S. supply chains by working across U.S. agencies to develop innovative solutions that resolve ongoing transportation and logistics problems creating barriers to trade, including port congestion, empty containers, and container and vessel shortages.** Although not a set of circumstances that have typically been handled by the U.S. Department of Agriculture or the Office of the U.S. Trade Representative, the transportation and logistics circumstances facing U.S. agricultural exporters is increasingly atypical. U.S. dairy exporters need innovative actions and brainstorming to deal with these problems which will require the full participation and support of all U.S. agencies involved, including USDA and USTR. The interagency discussions should consider a wide range of possible solutions, including whether to establish an industry advisory committee on supply chains, whether a permanent position on supply chain support is needed in the White House or USTR, and revising existing interagency tools to make them more transparent and effective (e.g. Department of Transportation’s Committee on the Marine Transportation Systems).