

Request for Comments on the Operation of the Agreement between the United States of America, the United Mexican States, and Canada

Docket number [USTR-2025-0004](#), submitted via <https://comments.ustr.gov/s/>.

November 3, 2025

To Whom It May Concern:

Thank you for the opportunity to provide comments on the U.S.-Mexico-Canada Agreement (USMCA or “the Agreement” hereafter). As you may know, the International Dairy Foods Association (IDFA) represents the nation’s dairy manufacturing and marketing industry, which supports more than 3.05 million jobs that generate \$52 billion in direct wages and \$779.45 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 most of the milk, cheese, ice cream, yogurt and cultured products, and dairy ingredients produced and marketed in the United States and sold throughout the world.

USMCA, like its predecessor agreement, the North American Free Trade Agreement (NAFTA), is critical to North American dairy trade flows. With Mexico and Canada serving as our top two export markets, collectively providing for \$3.6 billion in dairy exports in 2024 – or approximately 44% of all U.S. dairy exports – the importance of a preferential free trade agreement among North American trading partners cannot be underemphasized. Recognizing the Administration’s interest in considering all available options in this review period, for the reasons outlined above, IDFA urges the Administration to seek a review outcome that honors the commitments made by all three Parties to the Agreement, following the below basic principles:

- **Preserve some form of agreement between North American trading partners:** IDFA and its members prefer the current trilateral form of agreement, most important above all other matters in this review is to preserve some form of preferential trading agreement between the United States, Canada, and Mexico. Under no circumstances should the United States walk away from the Agreement without alternatives in place.
- **Ensure a future agreement builds relationships and growth for all parties:** This review should not seek to simply replicate the Agreement as it has been for the past five years but rather should build on what has worked to ensure that all parties continue growing. The U.S.-Mexico relationship in dairy is a great example of two trading partners that have both benefitted from the fair and stable dairy trade provided for under the Agreement. Ideally, IDFA

would envision a solid agreement similar to USMCA in the future that has corrected current problems while paving the way for future growth and mutual benefit between the parties.

- **Ensure a future agreement corrects violations:**

At the same time, the review should innovatively and ambitiously resolve long-standing concerns that USMCA did not effectively address; chiefly, the broken market access for U.S. dairy exports to Canada. As the below comments will outline, the heroic efforts of USMCA negotiators have been stymied repeatedly by protectionist policies that contradict USMCA commitments. IDFA members do not support the automatic continuation of an Agreement that in the instances outlined below has not accomplished the objectives U.S. negotiators worked hard to achieve.

With that background, below please find IDFA's comments on the specific questions posed in the Federal Register Notice:

- **Any aspect of the operation or implementation of the USMCA:**

From even before entry-into-force of the Agreement, IDFA has consistently noted concerns with Canada's policies under Article 3.A.3 on Dairy Pricing and Exports, which rendered the operation and implementation of the Article ineffective. Below IDFA provides examples of these policies:

- Canada Pre-Emptively Changing Milk Price Classes: After signing the Agreement, the Canadian Milk Supply Management Committee (CMSMC) chaired by the Canadian Dairy Commission intentionally voted on and implemented a new milk class price in order to avoid "greater risks in terms of the potential for having to comply with the [USMCA] consultation provisions."¹ Canadian officials took documented efforts to skirt the transparency requirements of the Article, which had been championed as one of the largest wins for dairy, they waited to finalize the provisions until they were certain USMCA would move forward. This would have allowed Canada to keep class 7 in the rare instance that USMCA did not enter into force, while avoiding discussion of any changes in milk classes with its trading partners under the Agreement.

Because Canada implemented an entirely new scheme of milk class prices prior to entry into force of the Agreement, the transparency provisions of Article 3.A.3 have done little to ensure the United States has the opportunity to consult about and or engage on Canada's new milk class prices. Canada has effectively undermined the majority of the Article, changing the conditions under which the Article was negotiated and ensuring the

¹ Reference: CMSMC Secretariat Recommendation for the implementation of the new environment including revised prices (Appendices 1 to 5) from the Minutes of the 141st Meeting of the Standing Committee on Harmonization of Canadian and Quebec Marketing Rules.

commitments were out of date before they ever entered into force.

- Ineffective Dairy Pricing Formula: There is significant evidence that the dairy pricing formula as outlined in Article 3.A.3.5 has never functioned as it was intended to at the time of negotiation, due in part to the reasons outlined above related to Canada's implementation of class 4a. Apart from class 4a, there are several additional reasons the formula has not worked, including:
 - It maintains a solids nonfat price well below Canada's costs of milk production and the solids nonfat price in other milk classes.^{2 3} Canada achieves this, in part, through the factors outlined below.
 - Canada has an artificially inflated and outdated assumed processor margin. While the United States recently finalized updates to its cost of production, Canada's assumed processor margin was based on a historical industry survey conducted in approximately 1972. An updated study on Canada's assumed processor margin and its calculations has not been done since then, creating an outdated calculation model that makes the Canadian assumed processor margin significantly higher than comparable margin in the U.S. Federal Milk Marketing Order (FMMO). This ensures the USMCA dairy pricing formula has a negative effect on prices.
 - There is a skewed relationship between the product types involved in the classes included in the Article's pricing formula. Acknowledging the problem negotiators were trying to solve with the USMCA dairy pricing formula, it created a skewed relationship between product types that is inconsistently applied across the sector. Theoretically, if the United States ever agreed to tying our prices to other countries' prices, it would be critical to apply the formula consistently across all price classes. Recognizing the goal of connecting the price of Canadian proteins to U.S. protein prices of like products, when Canada updated their milk classes without consultation and formed class 4a, they pitted the price of higher value processed proteins like milk protein isolates and concentrates against the U.S. nonfat dried milk (NFDM) price. This market intervention skewed the price of Canadian products, giving them an artificial price for non-NFDM products within the class that are effectively priced as NFDM within the formula, leaving the other Canadian dairy classes

² Reference: <https://www.cdc-ccl.ca/sites/default/files/2023-10/2023%20Cost%20of%20Production%20FINAL.pdf>.

³ See the wide range in solid nonfat between Canada milk class prices: <https://agriculture.canada.ca/en/sector/animal-industry/canadian-dairy-information-centre/statistics-market-information/processing/prices-02-2025>.

disconnected from the USMCA formula.

- Mis-Matched HS Codes in Export Thresholds: Canada has throughout the lifetime of USMCA excluded certain protein-dense products from the export thresholds identified in Article 3.A.3, paragraphs 7 and 8. It accomplishes this by classifying milk protein concentrates with a protein content of 85% or more by weight in an HS code not identified in Article 3.A.3 paragraph 1 (HS chapter 35), thereby meeting the Agreement's definitional terms while still failing to "monitor its global exports of milk protein concentrates..." (paragraph 7).⁴ This action alongside others, such as controlling exports of skim milk powders (SMP, HS 0402.10) to primarily fall to SMP blends (HS1901.90), effectively allows Canada to continue exporting its proteins at rates that far exceed the thresholds without having to be held accountable for it.

Canada regularly asserts their dairy pricing policies are technically compliant with the terms of Article 3.A.3 as written and at present. However, IDFA recently completed an economic analysis that estimates U.S. milk protein suppliers would experience an 11% price increase and between 10-17% revenue increase for their products if Canada did not maintain distortions on the pricing of its proteins through its milk class prices which help them trend lower than world minimum prices.^{5 6} This means not only can U.S. milk protein exporters not compete at all in Canada, they are effectively disadvantaged domestically by Canadian prices. Ultimately this is just one example of how Canada has strategically worked to ensure it could usurp the operation and implementation of its USMCA dairy pricing commitments.

- **Any issues of compliance with the Agreement:**

Canada: With gratitude to the U.S. government for taking consultation and subsequent disputes on Canada's tariff-rate quota (TRQ) administration measures for dairy imports under the Agreement, unfortunately, U.S. dairy exporter access to Canada's dairy TRQs have worsened over the course of the Agreement, not improved. Canada has not administered its dairy TRQs consistent with a wide range of its commitments under the Agreement, including but not limited to the following examples:

- Article 3.A.2, paragraph 4: Canada does not administer TRQs in a manner that is transparent, fair, equitable, or responsive to market conditions.

⁴ Reference: <https://www.cbsa-asfc.gc.ca/trade-commerce/tariff-tarif/2022/01-99/ch35-2022-eng.pdf>.

⁵ See IDFA's submission to the U.S. International Trade Commission Investigation on the Competitive Conditions for the United States and Major Foreign Suppliers of Non-Fat Milk Solids: <https://ids.usitc.gov/case/8281/investigation/8736>.

⁶ Reference Figures 2 and 3: <https://dairyfarmersofcanada.ca/sites/default/files/2024-11/PLC-QuarterlySkimQ3-Fall2024-EN-VF2.pdf>.



- Article 3.A.2, paragraph 7(b): Canada maintains activity requirements for determining whether importers are eligible to receive quota and the requirements exceed the conditions provided for in USMCA. The regulations clearly show that Canadian TRQ allocation policies are distorted in a manner that unduly favor processors; for example:
 - Processors calculate on the basis of product “manufactured” rather than “sold”, whereas distributors may only calculate on the basis of sales;
 - Processors calculate without exclusions on end use, whereas distributors have several exclusions, resulting in processors receiving double-counting in their calculation process; and
 - Processor calculations based on domestic manufacturing quantities result in product not destined for the Canadian market counting towards their allocated quota.
- Article 3.A.2, paragraph 11(a): Canada prohibits without cause foodservice operators and retailers from being able to apply for quota by maintaining eligibility rules that prohibit them from being eligible.
- Article 3.A.2, paragraph 11(b): Canada is required “not to allocate any portion of quota to a producer group”, but Canada does exactly that by making processors and further processors eligible applicants, then further funnels quota allocation to them by using market share calculations that include their domestic production and weigh naturally in their favor (see above).
- Article 3.A.2, paragraph 11(c): IDFA has met with non-processor importers who report that Canada frequently made quota allocations as little as one kilogram of product, who are then only able to use that allocation to maintain their eligibility as an importer, and must buy quota at a higher rate from allocated processors in order to conduct their normal import business.

Mexico: In April 2025, the government of Mexico announced that it would enact a national Milk Self-Sufficiency Plan, which seeks to achieve a 25% increase of milk production by 2030. The initiative is part of a broader food sovereignty effort that seeks to increase the productivity and resilience of the domestic agri-food sector and limit import reliance. Overall, Mexico intends to invest \$4.1 billion toward upscaling production of staple crops like corn, beans, and rice, as well as dairy products, honey, and high-value crops like cacao. Within those investments, the Milk Self-Sufficiency Plan includes significant investments in dairy processing infrastructure and expansions of the state-owned Liconsa company. The Plan will deploy technical and financing support, insurance, direct milk purchases by the government, as well as a new pricing structure. Critically, however, the Milk Self-Sufficiency Plan also includes objectives related to limiting U.S. dairy imports, which account for 30% of Mexico’s dairy consumption. U.S. powdered milk imports have been specifically targeted, which were worth over \$1 billion in 2024. Although the details and timing of the targeted import decrease are sparse and have yet to impact trade data

as was available at the time of this submission, the targeting of solely U.S. imports within this plan would be a contravention of Mexico's commitments under paragraph 1 of Article 2.11 on Import and Export Restrictions of USMCA. While IDFA fully supports the right of the Mexican government to invest in its domestic agricultural sector, IDFA objects to Mexico targeting U.S. exports specifically as part of its Plan.

- **Recommendations for specific actions that USTR should propose ahead of the Joint Review to promote balanced trade, new market access, and alignment on economic security with Mexico and Canada:**

IDFA supports the following general recommendations:

- Canada should be required to eliminate its recently passed law, Bill C-202, prohibiting negotiators from even discussing dairy market access.⁷ It can hardly be viewed as an effort in good-faith negotiation that Canada signed into a law a bill prohibiting negotiating dairy market access just a year before the USMCA review is to be completed. As a condition of Canada's commitment to continuing the Agreement and taking seriously U.S. concerns to fix its TRQ administration, Canada should revoke Bill C-202.
- Setting aside those compliance matters identified above, for the remainder of the Agreement, the United States should endeavor to maintain gold-standard chapters and obligations, targeting certain chapters for modernization and improvement. For example, many in the U.S. agriculture community were pleased with the chapters in USMCA, noting their view that some chapters, like the Chapter on Sanitary and Phytosanitary Measures, stood as new pillars of science and risk that far exceeded the previous terms negotiated in the Trans-Pacific Partnership (TPP). Those chapters should without question be preserved.

However, aside from the implementation, operation, and compliance matters cited above, as time has passed new matters that would be helpful to address have developed. Examples include increased and new approaches to transparency provisions to undercut Canada's opaque barriers to trade, undoing the reductions made to Investor-State Dispute Settlement (ISDS) provisions in other agreements by the previous Administration, increasing the scope of the Intellectual Property (IP) chapter, and fixing the problems in the Dispute Settlement (DS) chapter that prevented the previous two USMCA disputes from adequately addressing the barriers to trade.

- USTR should consider deeper consultations with any U.S. stakeholders that are supply-managed in Canada in advance of the review. It is clear that Canada has maintained a

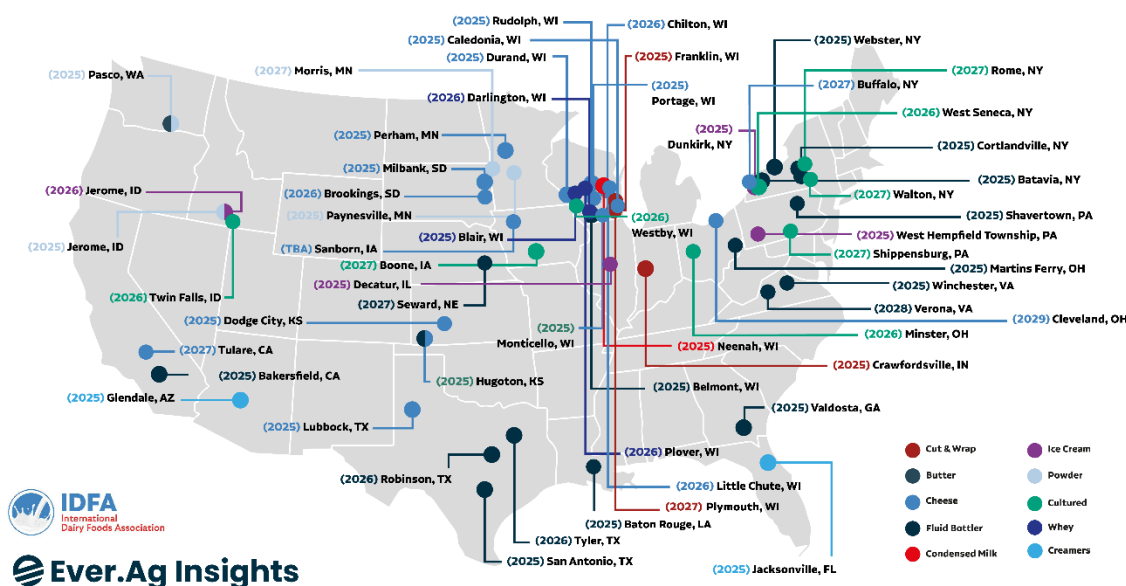
⁷ Reference: <https://www.parl.ca/LegisInfo/en/bill/45-1/C-202>.

carefully crafted strategy for years to protect its supply management and trade policies, and that it coordinates such policies across supply managed commodities, including dairy, poultry (i.e. chicken and turkey) and eggs. U.S. negotiators and stakeholders of those commodities lost strategic outcomes by not similarly coordinating and consulting on the U.S. side and should work to avoid this mistake again.

- **Factors affecting the investment climate in North America and in the territories of each Party, as well as the effectiveness of the USMCA in promoting investment that strengthens U.S. competitiveness, productivity, and technological leadership:**

All of the concerns described above affect the investment climate facing U.S. dairy processors and exporters. Additionally, IDFA would be remiss if we did not highlight the concerns expressed by members that other issues outside the scope of USMCA, such as U.S. tariff announcements and Section 232 investigations, significantly impact the competitiveness and investment opportunities facing U.S. dairy processors.

Recently, U.S. dairy processors celebrated over \$11 billion in planned investments in dairy manufacturing occurring across the United States in the near term, ranging from facility expansions to plant renovations to entirely new facilities.



These investments rely on critical imported goods – ranging from equipment to steel piping to packaging to ingredients – that are essential to innovation and to the competitiveness of U.S.



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processors. Too many stumbling blocks to those imported goods can slow or even derail progress in U.S. dairy investments mapped out above. This is not an outcome IDFA or its members want as we work overtime to support the U.S. manufacturing sector.

- **Strategies for strengthening North American economic security and competitiveness, including collaborative work under the Competitiveness Committee, and cooperation on issues related to non-market policies and practices of other countries:**

Given the ongoing trade compliance challenges presented by Canadian supply management policies with the Agreement, IDFA suggests it may be beneficial for the U.S. government to pursue a joint academic study on the impact of supply management. Such a study could include an analysis of its impact on agricultural commodity markets over time, the ability of supply management regimes to reform and remain consistent with their trade obligations, and the economic impact on those countries and trading partners who reform their supply management policies.

Thank you for your time and attention to these comments and please do not hesitate to contact us to discuss these comments further.

Sincerely,

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International Dairy Foods Association