

IDFA Witness Testimony
at the Hearing on the Operation of the Agreement between the United States
of America, the United Mexican States, and Canada
Docket number USTR-2025-0005

December 3, 2025

Good afternoon, my name is Becky Rasdall Vargas, and I am the Senior Vice President for Trade and Workforce Policy at the International Dairy Foods Association. IDFA represents the U.S. dairy manufacturing and marketing industry, which supports more than 3 million jobs that generate \$780 billion in economic impact. IDFA member companies generate the majority of the milk, cheese, ice cream, yogurt, and dairy ingredients produced in the United States and sold throughout the world.

On behalf of U.S. dairy processors, IDFA appreciates the opportunity to testify on USMCA. Today, we urge USTR to pursue a review that encompasses three key outcomes: to preserve the positive elements of USMCA, to build on the Agreement's progress, and, importantly, to rectify longstanding violations and operational challenges.

Taking these outcomes in order, I'd like to focus first on preserving USMCA's positive elements: While dairy is commonly known for having some of the most renowned trade barriers in USMCA, there are also many benefits to U.S. dairy exporters, and indeed across U.S. agriculture, contained within the Agreement. Mexico and Canada are the two largest markets for U.S. dairy outside of the United States and account for 44% of all U.S. dairy exports, or \$3.6 billion annually. This means that Canada and Mexico combined are outlets for nearly half of all

U.S. dairy exports. Further, these trading partners support an integrated cross-border supply chain for many U.S. companies. Therefore, the importance of USMCA cannot be understated; it is critical to maintain some form of preferential agreement between the United States, Canada, and Mexico.

Not only that, but specific elements of USMCA set new gold standards for U.S. trade agreements, one example of which is the Sanitary and Phytosanitary Measures (SPS) chapter. These provisions are particularly important to maintain in an era where science-based regulation and risk assessments are being eroded in international trade. There are many other examples of the benefits of this Agreement for which time does not permit; but for today, IDFA and our members urge you to work towards a USMCA review outcome that preserves these many benefits, while driving towards the future.

Regarding additional progress we believe can be built upon with this Agreement, there are many new issues that have arisen since the time of negotiation. For instance, we believe certain work visas agreed upon with Mexico could be reviewed and improved upon to modernize them for today's needs in agriculture. We also wonder whether the parties would benefit from cooperation on restoring certain industrial manufacturing to this continent, or on the impact of non-market economies in global trade. However, these improvements require a constructive and active agreement in place to effectively consider; we therefore urge negotiators to build on the significant progress of USMCA and to enhance it by focusing on future U.S. needs.

Finally, and perhaps most importantly, this USMCA review must correct violations of the Agreement and the implementation challenges the U.S. dairy industry has encountered within it. For U.S. dairy, these challenges center on Canada's dairy policies. Canada's dairy tariff rate quota (TRQs) policies actually limit U.S. dairy exporter access to the Canadian market instead of improving it, as was intended. Canada achieves this by, among other methods, allocating the majority of its available quota to Canadian processors, who may or may not use the quota to meet their own needs. This policy has resulted in approximately only 30% of available Canadian dairy TRQs actually being used at all, and even less of it being used by U.S. dairy exporters, despite many U.S. companies wanting to ship more.

Canada's implementation of its USMCA dairy pricing commitments is also a major concern for U.S. dairy. In 2020, before USMCA entered into force, Canada was already working to evade its pricing transparency commitments. It has also worked to ensure the dairy pricing formula has not operated effectively, while simultaneously evading its export threshold commitments on dairy proteins. All of these actions create opportunities for Canadian milk proteins to undercut global protein prices.

While there are many possible solutions to overcome these challenges during the review, most important for this hearing is a recognition that USMCA must not be renewed without correcting these concerns. Addressing these challenges will require diligent and creative negotiations and we fully recognize the difficulty U.S. negotiators will face in meeting IDFA's objectives. We



commend negotiators for considering all possible options and we fully commit to engaging as a constructive and collaborative partner throughout the process.

We look forward to supporting negotiators in developing a renewed, modernized, and corrected USMCA that can serve as a reliable tool for exporters and that opens the door for new and improved trading relationships between the parties.

Thank you again for the opportunity to testify today and I welcome any questions you may have.