



January 23, 2023

The Honorable Jason Smith
Chairman
House Ways and Means Committee
1139 Longworth House Office Building
Washington D.C. 20515

The Honorable Richard Neal
Ranking Member
House Ways and Means Committee
1102 Longworth House Office Building
Washington D.C. 20515

Dear Chairman Smith and Ranking Member Neal,

On behalf of the U.S. dairy industry, congratulations on your elections to the 118th Congress, and on your respective selections as Chair and Ranking Member. The U.S. Dairy Export Council (USDEC) and National Milk Producers Federation (NMPF) are thrilled to have such qualified and experienced Members leading this crucial committee. We look forward to working with you and your colleagues as we continue our efforts to support America's dairy industry at home and expand trade opportunities abroad.

As you know, the economic health of the U.S. dairy industry is heavily reliant on exports. This past year, American producers exported over \$9 billion in dairy products – a record number, equivalent to over 18% U.S. milk production. Nearly 30 thousand dairy farmers and the more than three million American workers whose jobs are supported by the U.S. dairy industry such as farm workers, milk haulers and dairy processing plant employees, depend on these exports to remain profitable and grow.

The U.S. dairy industry has a well-earned reputation for producing high quality products, and as a global leader on sustainability and food security, we are confident that the future of American dairy is bright. However, we are facing new challenges that require leadership and foresight. To continuing to succeed, and to ensure that American dairy farms can thrive in the long run, we need to open new markets to American exports and enforce the trade rules that are already in place.

For your reference, enclosed is a memo outlining U.S. dairy priorities and specific areas of needed focus, encompassing both tariff and non-tariff barriers, that, if resolved, will allow for more American products to reach store shelves and kitchens all around the world. This includes:

- Expanding markets through the negotiation of new free trade agreements,
- Diligent enforcement of the trade agreements already in place,
- Lowering or removing high tariffs and retaliatory duties,
- Removing unwarranted nontariff barriers to trade,

- Establishing clear protections for common food names to combat the misuse of geographical indications, and
- Advocating for science-based standards and trade rules.

Congratulations again on your elections and leadership positions. We have full confidence that with your leadership in Congress, we can work together to strengthen dairy exports and deliver a brighter future for America's dairy industry.

Sincerely,



Krysta Harden
President and CEO
U.S. Dairy Export Council



Jim Mulhern
President and CEO
National Milk Producers Federation

U.S. Dairy Trade Overview and Priorities

The U.S. Dairy Export Council (USDEC) and National Milk Producers Federation (NMPF) appreciate the opportunity to present this overview of key dairy trade issues and priorities to assist Congress with its review and assessment of trade policy issues. USDEC is a non-profit, independent membership organization that represents the export trade interests of U.S. milk producers, proprietary processors, dairy cooperatives, and export traders. The Council's mission is to build global demand for U.S. dairy products and assist the industry in increasing the volume and value of exports. NMPF is the United States' national farm commodity organization that represents nearly 30,000 dairy farmers and the dozens of the dairy cooperative marketing associations they own and operate throughout the United States.

Exports have become extremely important to the U.S. dairy industry. In 2022 we expect to have exported over \$9 billion in dairy products worldwide, equivalent to roughly 18% of total U.S. milk production. Those sales play an indispensable role in supporting the livelihoods of America's dairy farm families, farm workers, milk haulers, dairy processors, dairy plant employees and many others throughout the supply chain. The U.S. dairy sector supports approximately three million American jobs from farm to fork throughout the supply chain.¹ As a result, impairing export sales harms not only farmers, but also workers supplying inputs and services and those involved in downstream processing, as well as in cities with large port facilities heavily dependent on trade. And in turn, measures that help drive greater dairy exports support those American jobs and businesses.

As global interest in sustainable food systems has heightened, the U.S. dairy industry is well poised to meet the environmental and animal welfare expectations of consumers and dairy purchasers around the world. American dairy farmers have been environmental stewards for decades, tending with great care to their land and water, and they value a proactive approach to sustainability. As a testament to the U.S. dairy industry's endeavors, greenhouse gas emissions required to produce a gallon of milk dropped nearly 20% over the 10 years from 2007 to 2017 and the environmental footprint of a gallon of milk has dramatically decreased since 1944 (e.g., 90% less land, 65% less water, 63% smaller carbon footprint per unit of milk). To continue and enhance our efforts to combat climate change, the dairy industry has launched the Net Zero Initiative, a five-year collaboration of dairy organizations to advance research, on-farm pilots and new market development to make sustainability practices more accessible and affordable to farms of all sizes. The Net Zero Initiative is intended to help the U.S. dairy industry achieve its Environmental Stewardship Goals of becoming greenhouse gas neutral, optimizing water usage, and improving water quality by 2050. The U.S. dairy industry also continues to update and expand the long-standing, industry-driven Farmers Assuring Responsible Management (FARM)² program. The FARM program's animal care standard pillar was the first dairy animal welfare program in the world to be internationally certified as WOAHC-compliant. Other pillars within FARM address additional sustainability areas such as environmental stewardship, workforce development, judicious antibiotic use, and biosecurity precautions.

¹ See: <https://www.nmpf.org/milk-pricing-economics/dairy-got-jobs/#:~:text=Dairy%20Creates%20Jobs%2C%20Exports%20Create,us%20to%20the%20next%20level> Source: Dairy DeliversSM economic impact tool created by IDFA.

² <https://nationaldairyfarm.com/what-is-farm/>

To support American farmers and workers throughout the supply chain, we request that Congress prioritize the following initiatives to help ensure the economic health of the U.S. dairy industry and rural communities and their supply chain.

Pursue Market Expanding Trade Agreements

U.S. trade agreements have had a beneficial impact on the U.S. dairy industry through the reduction or removal of both tariff and nontariff barriers to U.S. dairy products. To continue that job-creating trend, our industry strongly encourages the retention of existing trade agreements and the pursuit of new ones with carefully selected partners as a goal of the utmost importance. To have the full set of tools at the Administration's disposal, we strongly urge Congress to renew Trade Promotion Authority and to press the Biden Administration to pursue and negotiate new free trade agreements (FTAs).

FTAs have enabled U.S. dairy exporters to compete on a more level playing field or even at an advantage with international competitors in terms of tariff access, removal of non-tariff barriers and clear and consistent rules for trade. In 1993, the year before NAFTA was implemented, the United States sold just \$618 million worth of dairy products overseas to all markets. In 2021, the United States sold \$4.1 billion to its FTA partners alone.

While we support the ongoing trade discussions on the Indo-Pacific Economic Framework and the U.S.-Taiwan Initiative on 21st Century Trade and want to partner with Congress and the Administration to ensure those agreements address specific nontariff trade barriers, we are concerned that the Administration has chosen not to include tariff reductions as part of the negotiations. Priority FTA areas for the U.S. dairy industry include Japan, the United Kingdom, Vietnam, and key dairy markets in Southeast Asia (e.g., Thailand, Indonesia, Philippines) and the Middle East (e.g., UAE). We would greatly appreciate the opportunity to work with the appropriate offices in Congress to communicate the need for new FTAs to the Administration.

U.S. dairy exporters are at an increasing competitive disadvantage as our trade competitors – namely the European Union and New Zealand – continue to forge new trade deals with key dairy markets while the United States sits still. We urge the U.S. government to reconsider its current strategy on not pursuing market access opportunities that yield tangible tariff results.

Counter EU Efforts to Expropriate Common Food Names Via Misuse of Geographical Indications

Congress must take decisive action to **protect the use of common food and beverage terms for American exporters by securing commitments** explicitly preserving their usage with U.S. trading partners, then building on that progress with other countries as well.

In addition to proactively working with the Administration to establish common name protections with various trading partners, we urge Congress to include in the Farm Bill an amendment to Title III of the Agricultural Trade Act that directs the Secretary of Agriculture, coordinating with USTR, to proactively negotiate with foreign trading partners to defend the right to use common names in their markets. These negotiations should help secure market access through bilateral, plurilateral or multilateral agreements, memoranda of understanding, or exchanges of letters that explicitly assure the current and future use of specific common names.

The European Union has continued its efforts to monopolize the use of common food and beverage terms through its FTA negotiations and other international avenues. By advocating for wider use of GIs and insisting on an extremely broad scope of protection for those GIs, the EU is actively working to give EU companies the sole right to use many terms that are in widespread common usage around the world and, in some cases, even covered by an international Codex Alimentarius standard. The EU has refused to adopt a simple solution to the problem applied in the United Kingdom that involves protecting multi-term regional specialties (such as “West Country Farmhouse Cheddar”) rather than the common name itself (“cheddar”). The EU bullies its trading partners into applying its approach to the detriment of U.S. dairy exporters, creating a global problem.

We urge you to work with and advocate to the Administration the importance of countering these efforts by securing confirmations of U.S. companies’ rights to continue to use specific widely used terms, including in the Indo-Pacific Economic Framework and U.S.-Taiwan Initiative on 21st Century Trade negotiations and through bilateral letter exchanges or memorandums of understanding with key trading partners. We must not let 2023 go to waste; Congress must press the Administration to act now to tackle this escalating global challenge.

Market Access Program and Foreign Market Development Funding

American dairy’s competitive standing overseas is at stake. It is more important than ever that Congress invest in programs proven to support U.S. exports and American workers.

Through the USDA’s Market Access Program (MAP) and Foreign Market Development (FMD) program, the Foreign Agricultural Service (FAS) works with U.S. ag trade associations, producers and processors on projects to build commercial export markets.

Given the lack of new FTAs and the fact that Agricultural Trade Promotion funds are no longer available, these programs are particularly important to promoting U.S. products overseas. That is why we are urging Congress to double MAP and FMD funding to \$400 million and \$69 million in the next Farm Bill.

Enforce USMCA

Vigorously enforcing the U.S.-Mexico-Canada Agreement (USMCA) will ensure that U.S. dairy producers and processors receive the agreed benefits from both Canada and Mexico.

Since the implementation of USMCA, Canada has consistently violated the agreement by reserving most of its preferential dairy Tariff Rate Quotas (TRQs) for Canadian processors. This is not only a clear breach of USMCA, but unfairly restricts market access to American producers. We commend USTR, USDA and other interagency partners who fought to prove this violation in May 2022 in a USMCA dispute panel, and have continued to pursue full Canadian compliance, even as Canada as shown little interest in squaring its wrong policies.

Moving forward, we encourage Congress to continue working with the Administration to ensure that Canada adheres to its USMCA obligations and stops cheating the American dairy industry.

Non-FTA Trade Forums (e.g., IPEF, Taiwan Talks, TIFAs, etc.)

In lieu of comprehensive tariff negotiations, both the Indo-Pacific Economic Framework (IPEF) and the U.S.-Taiwan Initiative on 21st Century Trade can make substantial contributions to advancing U.S. dairy market access priorities through commitments that address specific existing barriers and the potential for others to adopt similar barriers. Broad commitments such as USMCA-style chapters on sanitary and phytosanitary (SPS) barriers and technical barriers are useful, but not sufficient. To make meaningful headway, we encourage Congress to collaborate with the Administration to focus on resolving existing issues (e.g., proliferating common names restrictions and an excessively burdensome dairy facility registration process in Indonesia) and proactively guarding against future ones (e.g., by establishing forward-looking commitments on dairy certificate changes and facility registration requirements to come).

Strengthen the Rules-Based Multilateral Trading System

USDEC and NMPF support U.S. re-engagement in pursuing WTO reforms yielding tangible solutions to strengthening the rules-based global trading system that opens markets and provides provisions to guard against arbitrary use of technical regulations or standards to block imports. Reforms should lead toward further market-based and sustainable trade liberalization, reduced market distortions, enhanced transparency, and a more effective and efficient dispute settlement system. We support new areas of negotiation on topics like climate change and sustainability that have the potential to raise global ambitions on environmental sustainability, including in agriculture. USDEC and NMPF encourage a science-based and data-driven approach to these negotiations that embraces innovation and prevents abuse that could lead to disguised restrictions on trade.

Points of Contact:

- Jaime Castaneda, Executive Vice President of Policy Development & Strategy; jcastaneda@usdec.org; (703) 294-4359
- Shawna Morris; Senior Vice President of Trade Policy; smorris@usdec.org; (703) 294-4342
- Tony Rice; Trade Policy Manager; trice@usdec.org; (703) 469-2375