



Dairy and Ag Trade Policy

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Connecting Cows, Cooperatives, Capitol Hill, & Consumers

More Important Now Than Ever

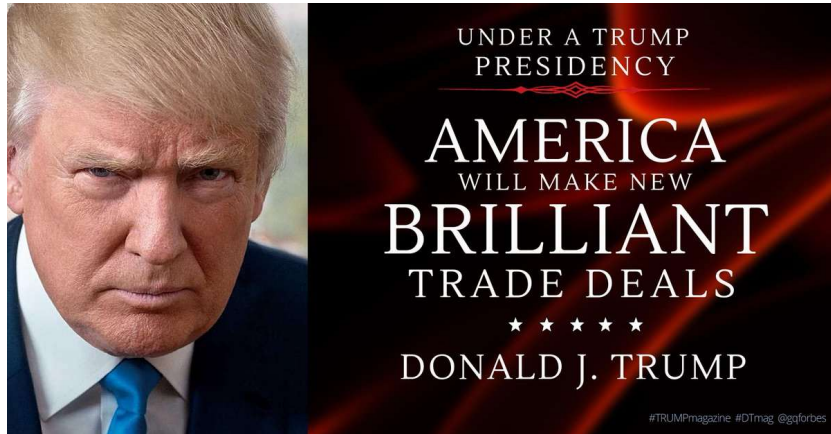
Trade: "Kind of a big deal" lately



Donald J. Trump
Canada charges the U.S. a **270% TARIFF** on dairy products!

For years and years, countries have been taking advantage of the United States on trade. We're going to straighten that out.

In Pursuit of This Type of Trade Policy



But What We Have is USMCA

- Dairy – Not what we sought, but what was possible
 - Tremendous pressure on Administration to keep agreement a trilateral constrained the realm of the achievable



USMCA: Dairy Reflecting on Priorities...



José Díaz-Briseño
@diazbrisen0

Follow

"(Mexico) did what was possible & not what was desirable...Seems to me that is better to have a NAFTA 0.8...than not to have a NAFTA", says [@luzmadelamora](#) (AMLO's incoming undersecretary for international trade) speaking about US/MX bilateral deal at an event today in Mexico City



■ For dairy:

- USMCA is not "NAFTA 0.8: Same thing, only less!"
- It's also not "NAFTA 2.0: New & highly improved!"
- More like, "NAFTA 1.2: Better than before."

USMCA: Upshot for Dairy Farmers

- Preservation of \$1B+ Mexican market
 - Major step forward protecting Common food names
- Some additional market access to Canada
 - More than other competitors' agreements with Canada
- New disciplines on Canada's dairy pricing policies
 - Canadian pricing policy changes and mandates for U.S. consultations
 - New export fees on any Canadian exports exceeding specific ceilings



USMCA – Canada's Pricing Schemes

- Class 7 will be eliminated 6 months after implementation
- However, new pricing structures will be established:
 - SMP, MPC & infant formula
 - New class will use U.S. Class 4 non-fat prices, Canadian make allowances & yield factors (excludes animal feed uses)
 - USMCA Upshot: Bars Canada from dropping base price below U.S. Class 4 even if EU/Oceania prices are lower
 - Other products
 - New class prices must be established based on end use

USMCA – Market Access Provisions

- Gained some additional market access
 - Volumes similar to TPP, yet here U.S. is sole beneficiary
 - USMCA Compared to avg. U.S. exports to Canada 2015 – 2017:
 - New access in year 6 equates to – 50,000MT more milk, 10,500MT more cream, 4,500MT more butter, 12,500MT more cheese, 1,380MT more concentrated milk, 4,135MT more yogurt, & additional opportunities
 - Impacts:
 - USTR estimates USMCA will provide new access valued +\$600M
 - U.S. International Trade Commission will conduct more in-depth analysis
 - USDEC analyzing contents to reach our own findings



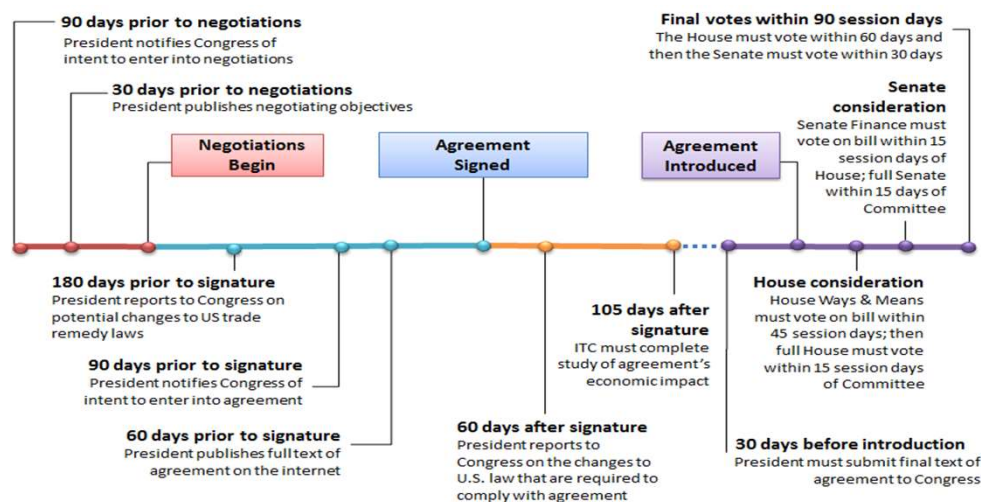
USMCA – Looking Ahead

- Congressional uncertainty
 - The President's Strategy can be
 - Working with D's
 - Red Wave
 - December Passage
 - Or...



- Lawyers prepare your engines... we may have a mess coming up
- Action likely in Q1 2019 but pre-election it's hard to forecast

USMCA – The TPA Timeline



Retaliatory Tariff Burdens

- Retaliatory Actions Targeting Agriculture
 - Mexican retaliation against U.S. metals tariffs
 - Not removed by USMCA; Separate Commerce-led process
 - Numbers, numbers, numbers – why is so difficult to agree on a number
 - Sec. 301 tariffs on China's IP theft and tech transfer
 - Tariffs now cover essentially all U.S. dairy and many ag exports to China
 - The Administration's goal and objective – seems clear; riiiiight...?
 - Behind China's thinking... -- what to expect



“Is it a Big Deal”? Forward Movement on New FTAs

- Breakthrough: New trade talks kick off in early 2019
 1. Japan (*finally!*)
 2. UK (*has potential...*)
 3. EU (*this old movie again?*)
- And maybe more
 - Philippines (top 10 dairy export market)
- NMPF looks ahead:
 - Seeking substance and speed with Nos. 1 and 2; Need real reforms from #3



Seeing Down the Road: Enhanced International Organizations Work

- Recognized need to monitor international organizations more closely and establish capability to respond earlier when issues arise
- Working closely with partners around the world to deepen WHO, Codex, etc. monitoring & engagement strategies
 - Spurring stronger alliance in the animal protein category to combat activists role to discredit the image of important nutritious foods
 - More active engagement by companies sought



Fighting to Preserve Sales & Export Options



Issue in A Nutshell



- Issue is not whether GIs good or bad.
 - WTO commitments require all countries to have a way to protect GIs by one avenue or another.
 - EU has separate GI system; many other countries have trademark systems
- Issue is HOW GI policy implemented, not whether
 - Problem is EU's specific approach to GIs
 - Seeks to gain advantage for EU suppliers by blocking use of typical food terms
 - U.S. FTA threats rather than simply encouraging GI holders to make use of existing tools in GI and/or Trademark systems
 - EU's strategy disregards impact of global immigration patterns of past two centuries

JOBS, JOBS, JOBS

- Lots of work for ag lawyers in many fronts:
- Potential WTO cases
 - GIs
 - Canada
 - India
- Lower regulations
- Farm Labor
- Standards
- Customs, Rules of Origin

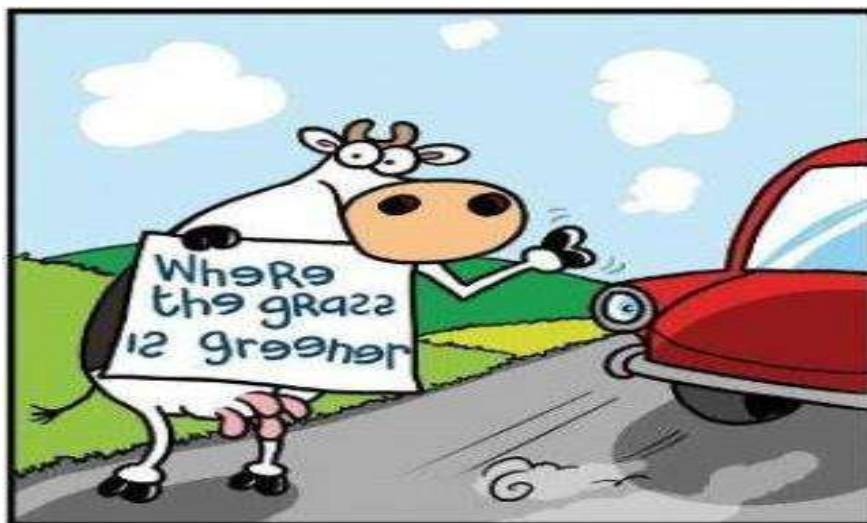


2019: The Year of the Omelet?

- 2018 saw U.S. breaking plenty of eggs
 - As USMCA and other deals may demonstrate, this is a means to an end
 - Many of our trading partners merit a bit of “bad cop”...
- Looking to the coming year
 - Beginning to see some payoffs, but the bumpy ride is far from over
 - **Whatever may come, we’ll make the most headway working together**



Where the grass is greener!!



Thank you!

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