



FOOD EXPORT HELPLINE™

Q: By this time next year will have a new NAFTA-like agreement called the U.S. Mexico Canada Trade Agreement (USMCA). What's new, what's different and what's better/worse for food products?

A: The three countries have not yet ratified USMCA (also called "you-sem-kah"), so we must be patient and trust the process. A number of agreements, side agreements and adjustments may have to be made, so information provided here is based on an "at this time" disclaimer. During the negotiations, we hoped they would leave the agricultural sector alone, with a few exceptions including more access to the Canadian dairy market. Currently, there are agreements for those issues and other advancements that are positive for U.S. agriculture exports.

In the meantime, U.S. food and agricultural exporters have other concerns. The USMCA was reached in a "volatile trade policy environment" that will create headwinds for U.S. farmers due to retaliatory measures by Canada, Mexico, and other nations. A new analysis commissioned by Farm Foundation and completed by Purdue University agricultural economists found the benefits of the USMCA do not outweigh the costs of the two countries' reactions to increased tariffs on steel and aluminum imports. Improvements included in USMCA should lead to an expansion of U.S. agricultural exports by \$450 million; dairy exports are expected to increase by 5% and exports of other meat products (mostly poultry) by 1.6%.

The analysis estimates that the retaliatory measures will cause U.S. agricultural exports to our NAFTA partners to decline \$1.8 billion. Additionally, retaliatory tariffs from the European Union and China could create a decline in agricultural exports of nearly \$8 billion.

MARKET ACCESS AND DAIRY OUTCOMES

America's dairy farmers will have increased export opportunities in Canada, including fluid milk, cream, butter, skim milk powder, cheese, and other dairy products. It will also eliminate its tariffs on whey and margarine. For poultry, Canada will provide new access for U.S. chicken and eggs and increase its access for turkey. Under a modernized agreement, all other tariffs on agricultural products traded between the U.S. and Mexico will remain free from duty.

Canada and Mexico were our first and third largest export markets for U.S. food and agricultural products, 28% of total food and agricultural exports in 2017, supporting more than 325,000 jobs.

KEY ACHIEVEMENT: CANADA'S MILK CLASS PRICING SYSTEM

The top priority for the U.S. dairy industry was for Canada to eliminate the program that allows low-priced dairy ingredients to undersell U.S. dairy in Canada and other export markets. Canada will also apply export charges to its skim milk powder, milk protein concentrates and infant formula at volumes over agreed threshold, allowing U.S. producers to expand sales overseas.

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<http://www.foodexport.org>

EXPANDING POULTRY AND EGGS MARKET ACCESS

In addition to \$561.5 million of poultry and egg products that the U.S. exported to Canada in 2017, Canada will provide new tariff rate quotas and has agreed to allow 30% of import licenses for shell egg imports to be granted to new entrants as well.

Canada has agreed to provide the U.S. and other country members of the WTO access equivalent to no less than 3.5% of the previous year's total Canadian turkey production, allowing the U.S. to export additional turkey products each year for the next 10 years, potentially more thereafter. The U.S. will also maintain current access for broiler hatching eggs.

EXPANDED MARKET ACCESS

The USMCA specifically addresses agricultural biotechnology to support innovations in agriculture, including new technologies such as gene editing. Specifically, the U.S., Mexico, and Canada have agreed to provisions to enhance information exchange and cooperation on agricultural biotechnology trade-related matters.

In the Sanitary and Phytosanitary (SPS) Measures chapter, the U.S., Mexico, and Canada have agreed to strengthen disciplines for science-based SPS measures, while ensuring parties maintain their sovereign right to protect human, animal, and plant life or health.

The three countries also agreed to non-discrimination and transparency commitments regarding sale and distribution, and labeling and certification provisions to avoid technical barriers to trade in wine and distilled spirits.

To meet technical regulations and standards related to prepackaged food and food additives, governments may require information from companies relating to the companies' proprietary formulas. The countries agreed on the Annex on Proprietary Food Formulas, requiring each Party to protect the confidentiality of such information in the same manner for domestic and imported products.



Food Export Helpline™ Counselor

Dennis Lynch, M.I.B.A., CGBP, is a 34-year veteran of international trade who has held a variety of positions in the public and private sectors. He has been directly involved in monitoring, troubleshooting and facilitating export transactions for more than 25 years.

As the export counselor behind Food Export-Midwest and Food Export-Northeast's Food Export Helpline™ Dennis provides customized technical export assistance to a variety of food and agricultural firms. He is a dynamic and informative speaker who speaks regularly at educational seminars throughout our organizations' Midwest and Northeast regions. Dennis is a "Certified Global Business Professional" and a member of "NASBITE," the National Association of Small Business International Trade Educators.