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FarmFirst Dairy Cooperative Applauds Decision on USMCA Dispute

Madison, Wis. [January 5, 2022] – FarmFirst Dairy Cooperative is elated at the decision published today by the USMCA Dispute Settlement Panel, which found Canada is improperly restricting access to its market for U.S. dairy products in violation of its U.S.-Mexico-Canada Agreement (USMCA) tariff-rate quotas (TRQs) commitments.

“This landmark decision is a victory for all U.S. dairy, including farmers, processors and exporters,” says John Rettler, dairy farmer from Neosho, Wis. and president of FarmFirst. “The dairy provisions in the USMCA were heavily discussed and hard-fought by our U.S. trade ambassadors. The decision today should send a clear message to Canada to follow through on the agreements they make, and to be an honest trading partner.”

“We are grateful for Ambassador Tai’s leadership on this important issue and for the bipartisan support received by Congressional leaders. U.S. dairy farmers and processors deserve to utilize the full market opportunities that were sought after for them in the USMCA,” says Jeff Lyon, General Manager at FarmFirst. “We look forward to working with Canada as they address the concerns highlighted by the panel.”

TRQs are a system of tariffs negotiated between countries that allow a predetermined quantity of imports at a specified tariff rate, where that rate is often at or near zero. Any additional imports above that predetermined quantity are subject to significantly higher tariffs. In the case of U.S. dairy products, these additional Canadian tariffs typically price U.S. dairy products out of Canada’s market, making fair access to Canadian dairy TRQs (imports at near zero tariff rate) vital to maximizing exports to that market.

When the Office of the U.S. Trade Representative (USTR) brought the case in May 2021, it argued that Canada has maintained dairy TRQ measures that run counter to its market access obligations under USMCA. USMCA specifically requires that Canada open its TRQ application process to anyone active in the Canadian food and agriculture sector. Yet USTR noted that Canada designates the bulk of the TRQs to Canadian dairy processors who have little incentive to import, does not provide fair or equitable procedures for administering the TRQs, and does not give retailers any access to the TRQs. These measures deny the ability of U.S. dairy farmers, workers, and exporters to utilize the TRQs and realize the full benefits of the USMCA.

While the United States tried to resolve the matter through consultations with Canada before initiating the Dispute Settlement Panel, Canada refused to change its policies. NMPF and USDEC engaged USTR and Congress, achieving broad bipartisan support from more than 125 members of the House and Senate for bringing this matter to the USMCA Dispute Settlement Panel. There, a panel of legal experts evaluated Canada's current dairy trade policies against its commitments under USMCA and found Canada was not meeting its USMCA obligations.

FarmFirst remains engaged as the discussions continue. Canada has until February 3 to comply with the decision or face U.S. retaliation.

FarmFirst Dairy Cooperative, established in 2013 and based in Madison, Wis., represents farmers in Wisconsin, Minnesota, South Dakota, Michigan, Iowa, Illinois, and Indiana by providing legislative and regulatory advocacy, dairy marketing services, disaster protection, laboratory testing opportunities and industry promotion. Learn more about FarmFirst Dairy Cooperative by visiting: www.FarmFirstDairyCooperative.com.

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