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UNITED STATES–MEXICO–CANADA TRADE FACT SHEET Agriculture: Market Access and Dairy Outcomes of the USMC Agreement

The United States, Mexico, and Canada concluded negotiations for a modernized and rebalanced trade agreement on September 30, 2019. The new United States–Mexico–Canada Agreement (USMCA) will advance United States agricultural interests in the most important markets for American's farmers, ranchers, and agribusinesses. This high-standard agreement opens new markets to expand United States food and agricultural exports and support food manufacturing and rural jobs.

Canada and Mexico are our first and third largest exports markets for United States food and agricultural products, making up 28 percent of total food and agricultural exports in 2017. These exports support more than 325,000 American jobs.

All food and agricultural products that have zero tariffs under the North American Free Trade Agreement (NAFTA) will remain at zero tariffs. Since the original NAFTA did not eliminate all tariffs on agricultural trade between the United States and Canada, the USMCA will create new market access opportunities for United States exports to Canada of dairy, poultry, and eggs, and in exchange the United States will provide new access to Canada for dairy, peanuts, processed peanut products, and a limited amount of sugar and sugar containing products.

Key Achievement: Increasing Dairy Market Access

In addition to the current exports of dairy products that the United States makes to Canada of $619 million in 2017, Canada will provide new tariff rate quotas exclusively for the United States. The agreement includes market access gains for the following American products:

Fluid Milk: 50,000 metric tons (MT) by year six of the agreement, growing one percent for an additional 13 years. Eighty-five percent of the quota will be reserved for further processing.

Cheese: 12,500 MT by year six of the agreement, growing one percent for an additional 13 years. Fifty percent of that amount will be available for any kind of cheese, while the remainder will be for industrial cheeses.

Cream: 10,500 MT by year six of the agreement, growing one percent for an additional 13 years. Eighty-five percent of the volume in year one will be reserved for further processing.

Skim Milk Powder: 7,500 MT by year six of the agreement, growing one percent for an additional 13 years.

Butter and Cream Powder: 4,500 MT by year six of the agreement, growing one percent for an additional 13 years. Eighty-five percent of the volume in year one will be reserved for further processing, which will be reduced to 50 percent by year five.

Concentrated and Condensed Milk: 1,380 MT by year six of the agreement, growing one percent for an additional 13 years.

Yogurt and Buttermilk: 4,135 MT by year six of the agreement, growing one percent for an additional 13 years.

Powdered Buttermilk: 520 MT by year six of the agreement, growing one percent for an additional 13 years.

Products of Natural Milk Constituents: 2,760 MT by year six of the agreement, growing one percent for an additional 13 years.

Ice Cream and Ice Cream Mixes: 690 MT by year six of the agreement, growing one percent for an additional 13 years.

Other Dairy: 690 MT by year six of the agreement, growing one percent for an additional 13 years.

Whey: 4,134 MT by year six of the agreement, growing one percent for an additional 4 years. Whey will have its over quota tariff eliminated in 10 years.

Margarine: Tariff elimination in five years. The margarine rule of origin for use in trade between the United States and Canada will allow the use of non-originating palm oil in the manufacture of margarine.

The United States will provide reciprocal access on a ton-for-ton basis for imports of Canada dairy products through first-come, first-served tariff rate quotas.

Key Achievement: Canada's Milk Class Pricing System

Six months after entry into force of the USMCA, Canada will eliminate milk price classes 6 and 7. Canada will ensure that the price for skim milk solids used to produce nonfat dry milk, milk protein concentrates, and infant formula will be set no lower than a level based on the United States price for nonfat dry milk. Canada has also committed to adopt measures designed to limit the impact of any surplus skim milk production on external markets. These measures include resumption of its program to use skim milk domestically as animal feed and a new commitment to cap its exports of skim milk powder, milk protein concentrates, and infant formula. For skim milk powder and milk protein concentrates, the aggregate export cap will be 55,000 MT in the first year after the agreement enters into force, falling to 35,000 MT in the second year. Exports that exceed this threshold will face an export surcharge of C$0.54 per kilogram. For infant formula, the export cap will be 13,333 MT in the first year, increasing to 40,000 MT in the second and subsequent years. Exports that exceed this threshold will face a surcharge of C$4.25 per kilogram. Both caps will be increased by 1.2 percent a year, an amount equivalent to Canada's historical population growth. To assist with monitoring implementation of this new program, Canada has agreed to discuss any matter related to this mechanism upon request of the United States, and both countries will review the agreement five years after entry into force and every two years thereafter.

Key Achievement: Expanding Poultry and Eggs Market Access

In addition to the $600 million worth of poultry and egg products that the United States exported to Canada in 2017, Canada will provide new tariff rate quotas for the United States as follows:

Chicken: 57,000 MT by year 6 of the agreement, growing one percent for an additional 10 years. The United States will still be eligible to export up to 39,844 MT under Canada's World Trade Organization (WTO) tariff rate quota regime.

Egg and Egg Products: Ten million dozen eggs and egg-equivalent products in year one of the agreement, growing one percent for an additional 10 years. Canada has agreed to allow 30 percent of import licenses for shell egg imports to be granted to new entrants as well. As with chicken, the United States will still be eligible to export up to 21.37 million dozen egg and egg-equivalent products under Canada's WTO tariff rate quota regime.

Turkey: Canada has agreed to provide the United States and other country members of the World Trade Organization access equivalent to no less than 3.5 percent of the previous year's total Canadian turkey production. This will allow the United States to export additionally up to 1,000 MT of turkey products each year for the next 10 years than the current access and potentially more thereafter.

Broiler Hatching Eggs: The United States continues to maintain current access as agreed to under Canada-US Free Trade Agreement (CUSFTA) of 21.1 percent of Canada's domestic production.