

United States Senate
WASHINGTON, DC 20510-3203

June 25, 2020

The Honorable Robert Lighthizer
United States Trade Representative
600 17th Street, NW
Washington, DC 20508

Dear Ambassador Lighthizer:

I write to express concern about recent attempts from the Canadian dairy industry to obscure information about pricing regulations relating to the harmful Class 6 and 7 milk price classification programs. Given the imminent July 1 entry into force date for the United States-Mexico-Canada Agreement (USMCA), I urge you to ensure that Canada exercises transparency with its pricing regulations, as required by the agreement, and upholds its trade obligations to fully eliminate the Class 6 and 7 pricing programs and to provide the full measure of market access the U.S. secured via tariff-rate quotas under USMCA.

As you are aware, the elimination of Canada's harmful dairy trade practices, including the market-distorting supply management Class 7 pricing program (Class 6 in Ontario), was a top priority of mine throughout the USMCA negotiations. These programs, along with other policies Canada enacted to limit dairy exports from the U.S., caused New York dairy farmers significant economic pain, which is only further exacerbated by the current COVID-19 crisis. While I did not vote for USMCA, I was encouraged to see the elimination of these programs secured as part of the overall agreement. My focus now remains on maintaining the full value of market access secured in USMCA for U.S. dairy products and ensuring the strong enforcement of Canada's dairy trade commitments.

Under USMCA, Canada agreed to eliminate Class 6 and 7 pricing six months after the agreement enters into force. Products under Class 6 and 7 would then be reclassified according to their end use and subject to a price floor established in the agreement. Importantly, USMCA also imposes certain transparency requirements around pricing formulation, specifically requiring Canada to publish information on milk class pricing regulations, including any replacement or amendment of such regulations, as of July 1, 2020.

It was recently brought to my attention by the New York dairy industry that Dairy Farmers of Ontario (DFO), an organization that represents nearly 4,000 Canadian milk producers, has requested that the province's Agriculture, Food and Rural Affairs Appeal Tribunal grant restricted access to DFO's pricing regulations. It is my understanding that there is not a legitimate reason to withhold public disclosure of this information, particularly with less than

one month until USMCA enters into force and Canada has an obligation under the agreement to do so.

Having access to precise information on the operation of Canada's Class 6 and 7 programs is essential for the U.S. to ensure Canada does not circumvent the dairy provisions of USMCA. Details on DFO's pricing regulations are relevant as they provide a baseline against which the U.S. can evaluate any new Canadian program or system that replaces Class 6 and 7. Further, DFO's efforts to suppress this pricing information cast doubt on Canada's overall commitment to fully eliminate these programs, as well as whether the country will refrain from reproducing the effects of the programs through different means in the future.

In addition to these reforms to Canada's supply management system, under USMCA, Canada agreed to an expansion of tariff-rate quotas (TRQs) for U.S. exports of milk, cheese, yogurt, and several other categories of U.S. dairy products. However, it is my understanding that Canada's recent allocation of its TRQs, released on June 15, weakens the intent and spirit of the agreement by hindering the ability of the New York and broader U.S. dairy industry to fully benefit from USMCA's increased market access opportunities.

We must ensure that hardworking dairy farmers in New York and across the country, who rely on strong trade enforcement from the U.S. government for protection against other countries' unfair policies and practices, benefit from the changes in USMCA as intended. As such, I urge you to expeditiously raise these aforementioned concerns about Canada's dairy obligations with your Canadian counterparts, and in particular, ensure Canada reaffirms its commitment that Class 6 and 7 will be fully, and permanently, eliminated.

Thank you for your attention to this critical matter, and I look forward to your response.

Sincerely,



Charles E. Schumer
United States Senator