

# United States Senate

WASHINGTON, DC 20510

August 31<sup>st</sup>, 2016

The Honorable Michael Froman  
Ambassador  
United States Trade Representative  
600 17th Street, N.W.  
Washington, DC 20508

The Honorable Tom Vilsack  
Secretary  
U.S. Department of Agriculture  
1400 Independence Avenue, S.W.  
Washington, DC 20250

Dear Ambassador Froman and Secretary Vilsack:

We write you today to urge you to investigate whether Canada's recently announced National Ingredients Strategy and Ontario's Class VI pricing program are in keeping with Canada's trade commitments to the United States. It is troubling that these dairy pricing programs appear to be designed in ways to intentionally displace current U.S. imports. We are extremely concerned that the "Class VI" pricing policy that has recently been in place in Ontario violates Canada's existing trade commitments to the United States and reports suggest that this new national strategy may follow a similar approach.

We are particularly concerned about reports that through these types of programs, Canada is moving to target New York and Wisconsin exports of ultrafiltered milk. Companies from our states inform us that they have already lost considerable export sales as a result of the Ontario dairy policy introduced this past spring. These reductions in export sales impact dairy manufacturers and their supplying farms in areas of our states that are unfortunately already struggling with depressed milk prices.

It is our concern that the Class VI pricing program appears to be designed directly to incentivize Canadian processors to shift to using more Canadian milk and dairy inputs, in essence penalizing them for the use of imported dairy inputs. Based on the information currently available on this program and the clear public track record that the "Class VI" pricing program is being implemented specifically to displace imports, we have serious doubts as to how the program would be compliant with Canada's NAFTA and WTO obligations. We are concerned that Canada now intends to build upon this model by putting in place a similar policy at the national level to discourage U.S. dairy exports and we urge you to investigate the trade compliance of this action.

It has become evident that Canada has been looking for ways to restrict U.S. ultrafiltered milk exports through various policy or regulatory tools. Moreover the efforts to limit trade in this product appears to represent a continuation of persistent Canadian regulatory and policy shifts aimed directly at impeding dairy trade. We cannot tolerate Canada's continued disregard of their trade commitments to us.

The dairy industry is extremely important to the rural economies in our states. Canadian barriers to U.S. dairy exports will worsen an already tough situation facing dairy farmers in the Northeast and Upper Midwest this year. In addition to its revised pricing policies, Canada has also reportedly been considering additional avenues that press reports indicate would be pursued strictly to curtail U.S. dairy exports. These include regulatory interpretation shifts that would impact Canada's cheese standards and the new exclusion of dairy from Canada's Duties Relief Program.

Again, we urge you to investigate whether U.S. exports are being unfairly displaced and ensure that our trading rights are upheld in the face of Ontario's "Class VI" pricing policy and the reported National Ingredients Strategy. Canada cannot be allowed to continually impair the value of concessions the U.S. previously secured under our prior trade agreements. We urge you to exhaust all potential avenues to bring Canada into compliance with its trade commitments. Thank you for your attention to this most important request.

Sincerely,



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Charles E. Schumer  
United States Senator



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Tammy Baldwin  
United States Senator