ASSESSING USMCA

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US agricultural exports to Canada and Mexico

Bil USD

[Graph showing the increase in US agricultural exports to Canada and Mexico from 2000 to 2017, with bars representing Canada and Mexico separately.]
USMCA--Agriculture provisions

Art 3.3 International cooperation
Art 3.4 Export competition
Art 3.5 Export restrictions
Art 3.6 Domestic support
Art 3.7 Committee on Agricultural Trade
Art 3.8 Consultative Committees on Agriculture
Art 3.9 Agricultural Special Safeguards
Art 3.10 Transparency and Consultations
Agricultural Biotechnology
Phase out of Class 6,7
Market access under USMCA

• For agriculture, USMCA looks a lot like NAFTA
  – Most products faced zero tariffs under NAFTA; no change under USMCA

• Small increase in access for commodities protected under CUSTA
  – Dairy into US and Canada
  – Peanuts and sugar (and products) into US
  – Poultry and eggs into Canada

• No change in tariffs; access granted through TRQs
• No seasonal tariffs
Canada dairy TRQs, similar to what was offered under TPP

MT

- Milk
- Cream
- Skim milk powder
- Industrial cheese
- Cheese all types
- Milk powders
- Concentrated/condense milk powder
- Whey powder
- Powdered buttermilk
- Natural milk const
- Ice cream
- Other dairy

USMCA, TPP
Dairy product TRQs under USMCA

MT

Cream: US 12,000, Canada 10,000
Skim milk powder: US 9,000, Canada 9,000
Butter, cream and cream: US 4,000, Canada 4,000
Cheese: US 14,000, Canada 14,000
Concentrated/condense: US 1,000, Canada 1,000
Milk powder: US 1,000, Canada 1,000
Other: US 8,000, Canada 8,000

US vs Canada
US TRQ fill rates for dairy—2015

Source: WTO
Canada TRQ fill rates—2016

Source: WTO
Value of potential dairy access into Canada, year 19

Based on 2017 per unit export values and assuming 100% TRQ fill rates
Dairy exports

Mil USD

World

Mexico

Canada
Overall assessment: The Emperor’s New NAFTA?

- USMCA is very similar to the old NAFTA—good news for agriculture
- Modest market access gains for dairy, poultry, eggs
  - Elimination of Class 6,7
  - Likely larger impact for Canada dairy
- Fortunately, some of the provisions advocated by US were rejected by Canada and Mexico
  - Seasonal tariffs on fruit and vegetables
  - Dispute settlement (Ch. 19)
  - Sunset after 6 years
- Modernization of NAFTA (new provisions borrowed from TPP)
- Like other consumers, ag will be adversely affected by increased costs due to domestic content provisions affecting automobiles, etc
- Sec 232 tariffs remain
  - Increased prices for steel and aluminum
  - Counter-retaliatory tariffs for pork and dairy ~$1.8 billion
Thanks!

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