



IDFA

**International
Dairy Foods Association**

Farm Foundation Round Table Chairman's Dinner

Opportunities & Challenges for U.S. Trade

IDFA: Broad Representation



Milk



Farmer Co-ops



Cheese



Yogurt



Ice Cream



Retailers



Infant Formula



Dairy
Ingredients

IDFA Strategic Priorities



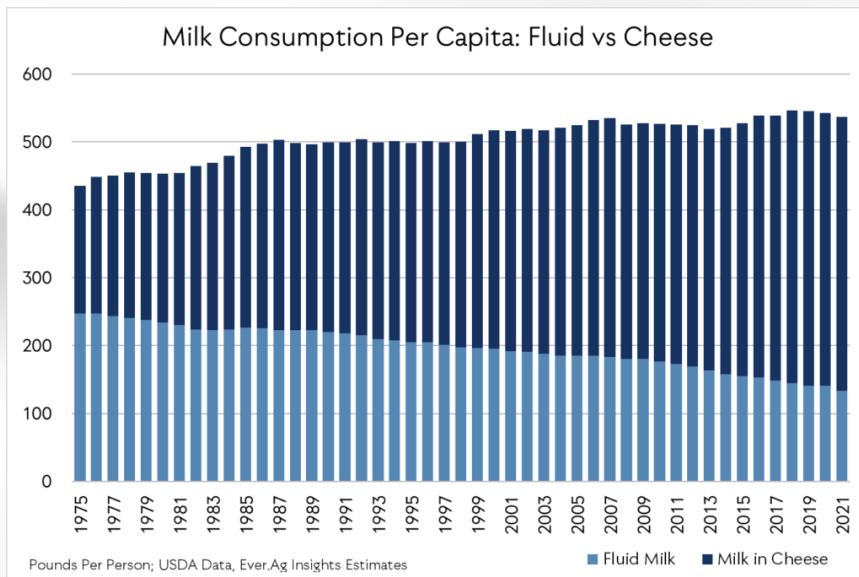
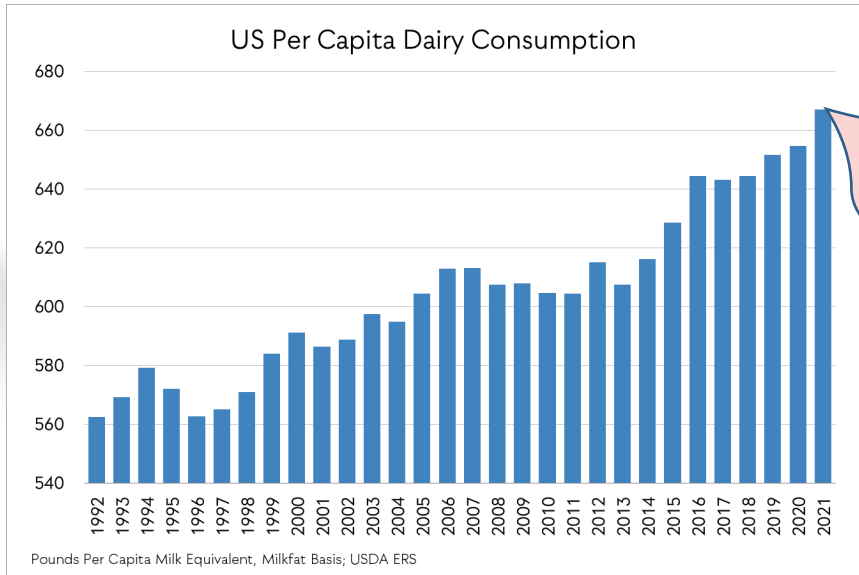
Opportunities & Challenges

Where Are We Now?



IDFA
International
Dairy Foods Association

The Domestic Market for U.S. Dairy

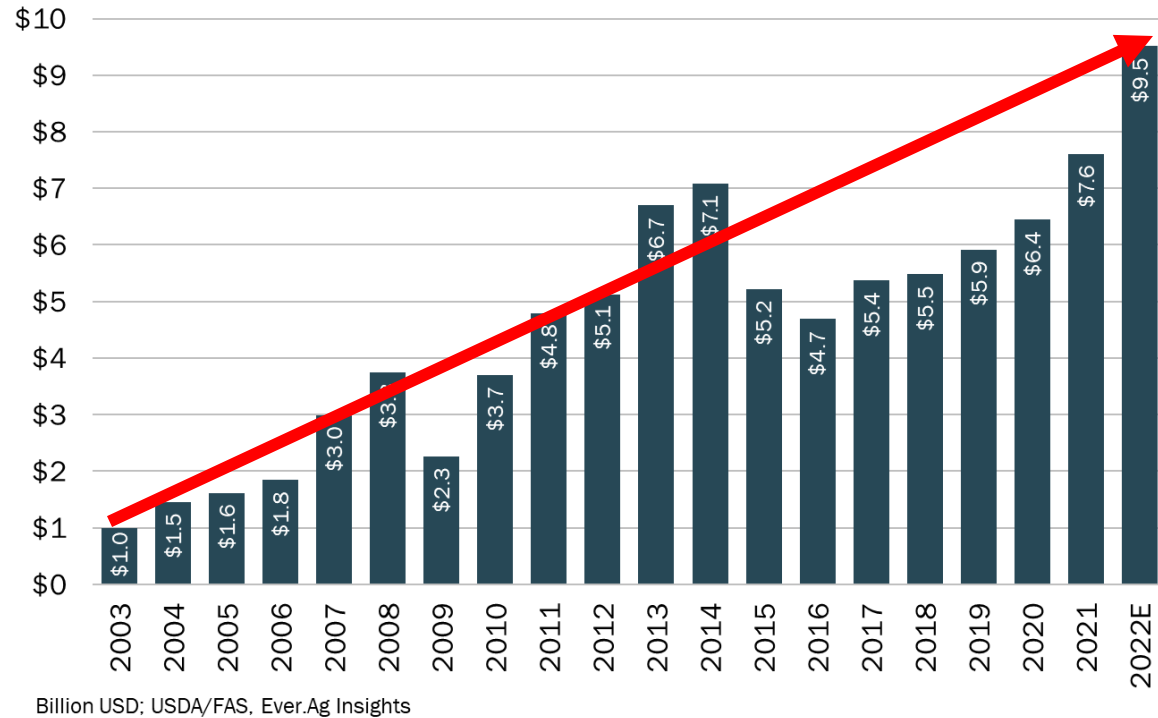


An Overview

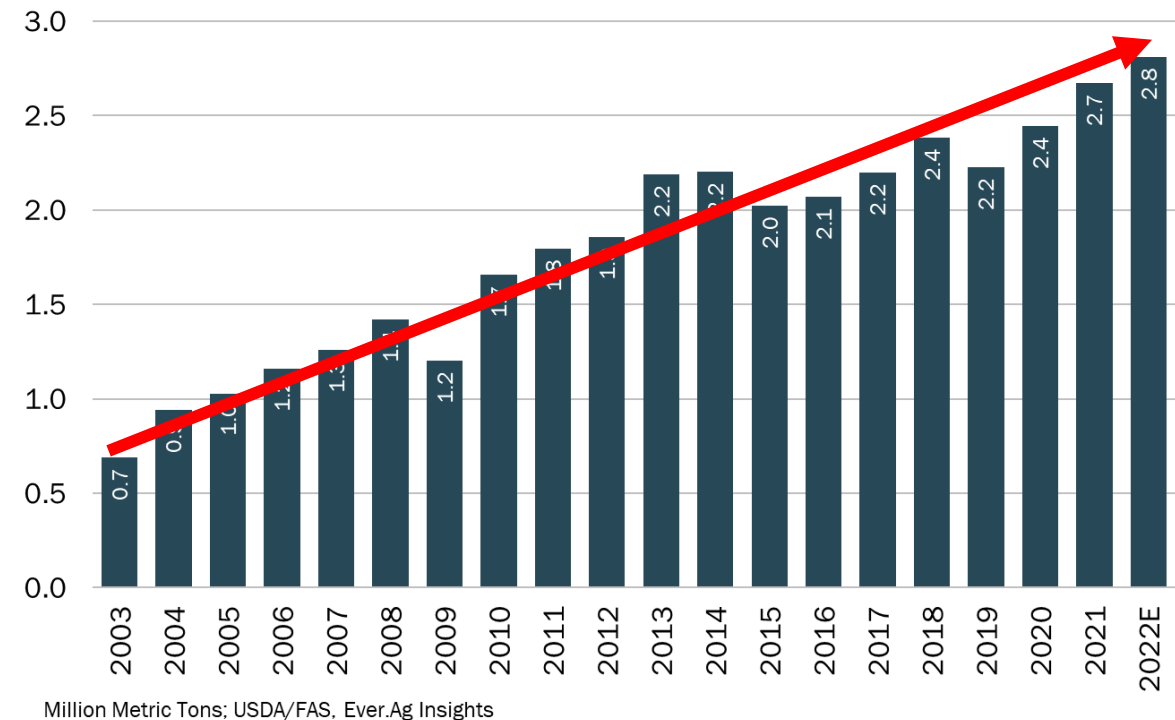
- U.S. dairy supports >3.3M jobs that generate \$41.6B in direct wages & **\$753B in overall economic impact**
- Dairy is a **\$70B+ category** in the U.S. that grew during pandemic
- Dairy **consumption is growing** at home, hitting records each year
- U.S. dairy consumption is evolving: **We eat more than we drink** while the world demands more & more

The Global Market for U.S. Dairy

US Dairy Exports: Value

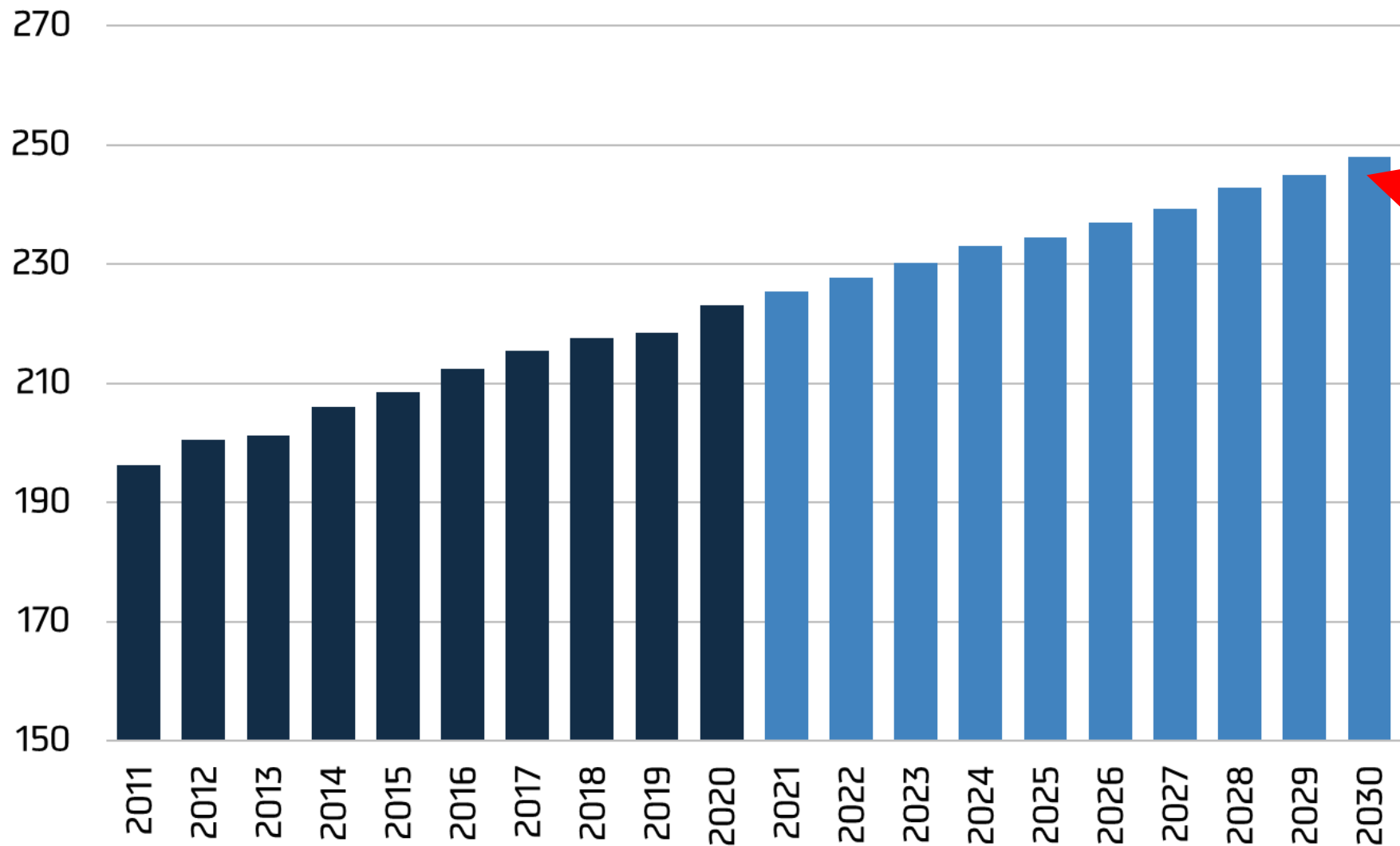


US Dairy Exports: Volume



U.S. Productivity Demands Global Markets

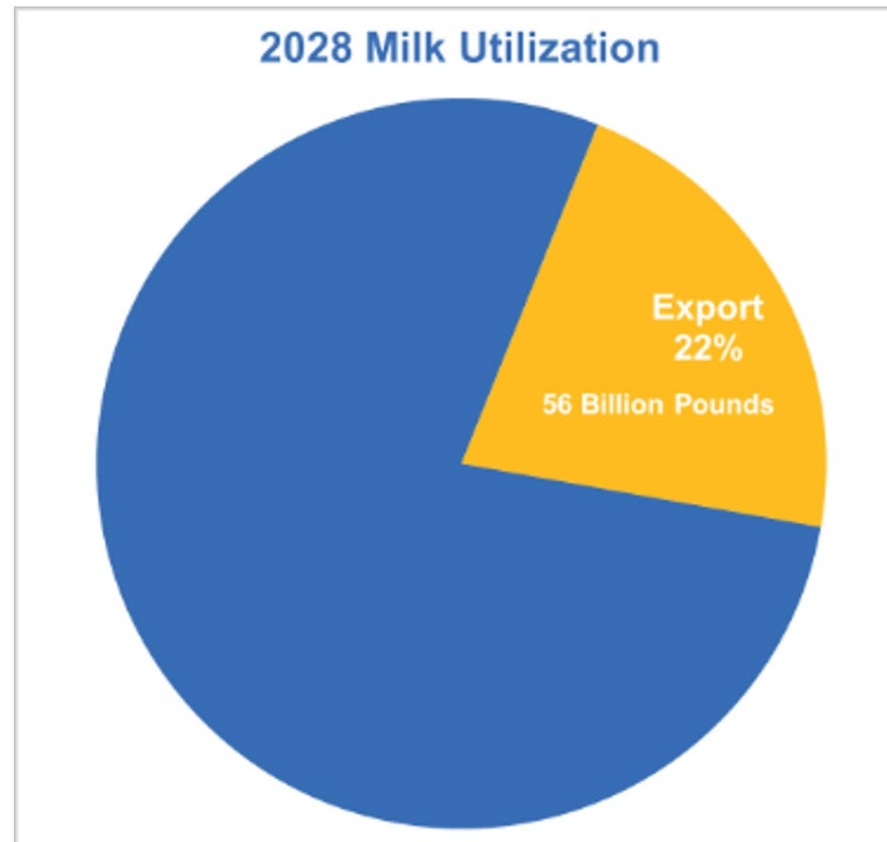
Milk Production & USDA Baseline Forecast



**25B LBS More
Milk Projected
by 2030**

U.S. Productivity Demands Global Markets

Today: U.S. exports 18% of milk production
By 2028: Must export 22% *JUST TO KEEP PACE* with production



How Do We Win the Future?

We Need a Playbook for the Future



U.S. Dairy Playbook for the Future

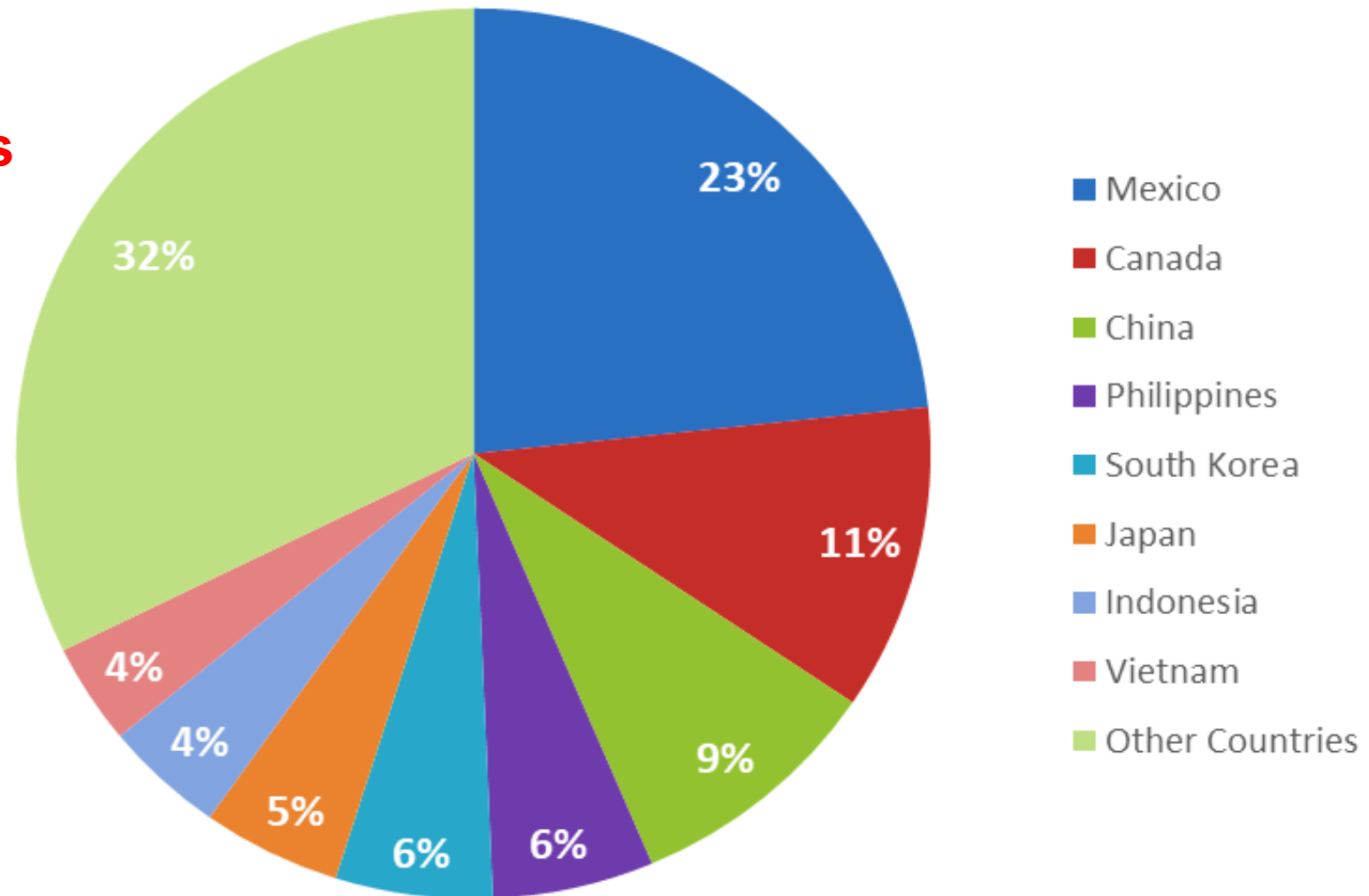
- 1. Build Globally Competitive Market Access**
- 2. Defend Against Unfair Barriers**
- 3. Expand Existing Agreements**
- 4. Embrace New Tools & Policies**



1: Build Globally Competitive Markets

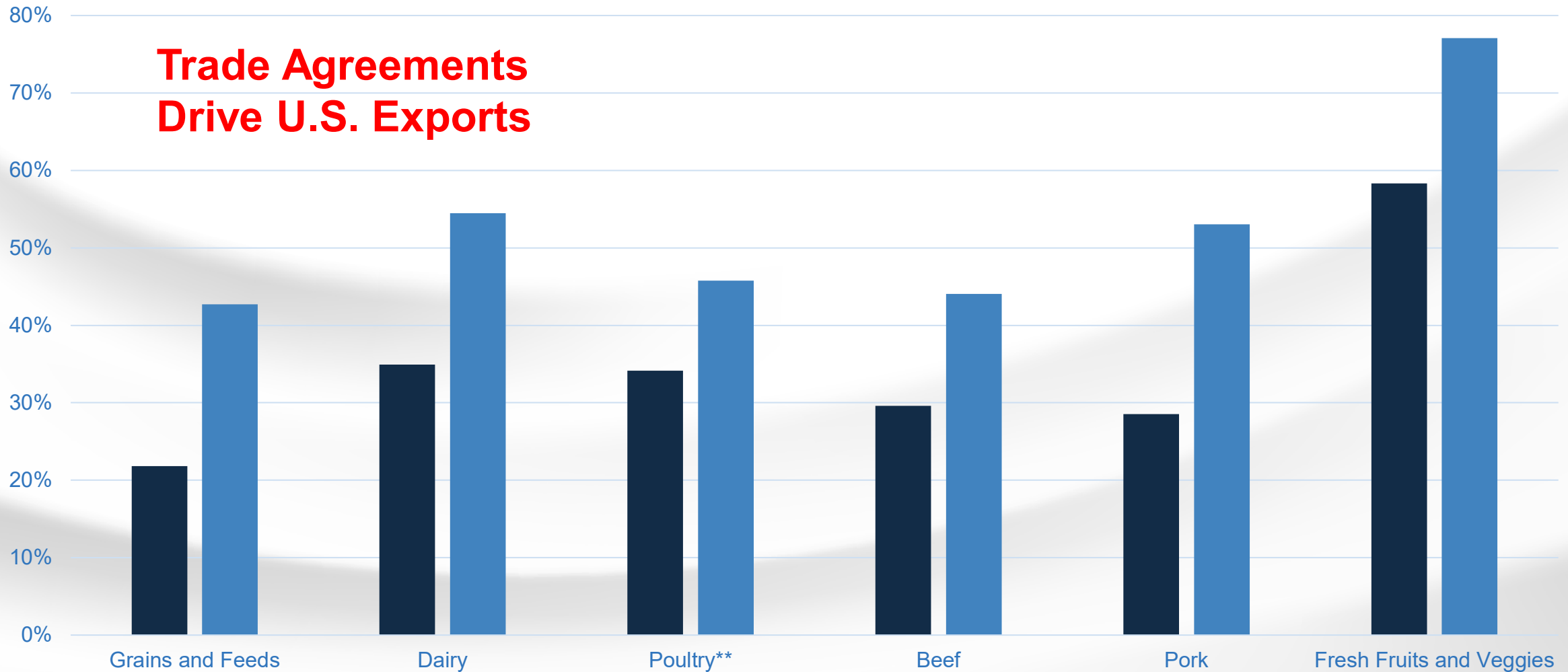
U.S. Dairy Export Destinations (2021)

**U.S. Dairy Is
Diversifying its
Markets**



1: Build Globally Competitive Markets

Total U.S. Exports to FTA Countries*



Source: USDA-FAS Global Agricultural Trade System (GATS); BICO-HS10

*Share of exports in value to the 20 FTA partners in 1990 vs. share of exports to same countries in 2021

**Excluding eggs

■ 1990 ■ 2021

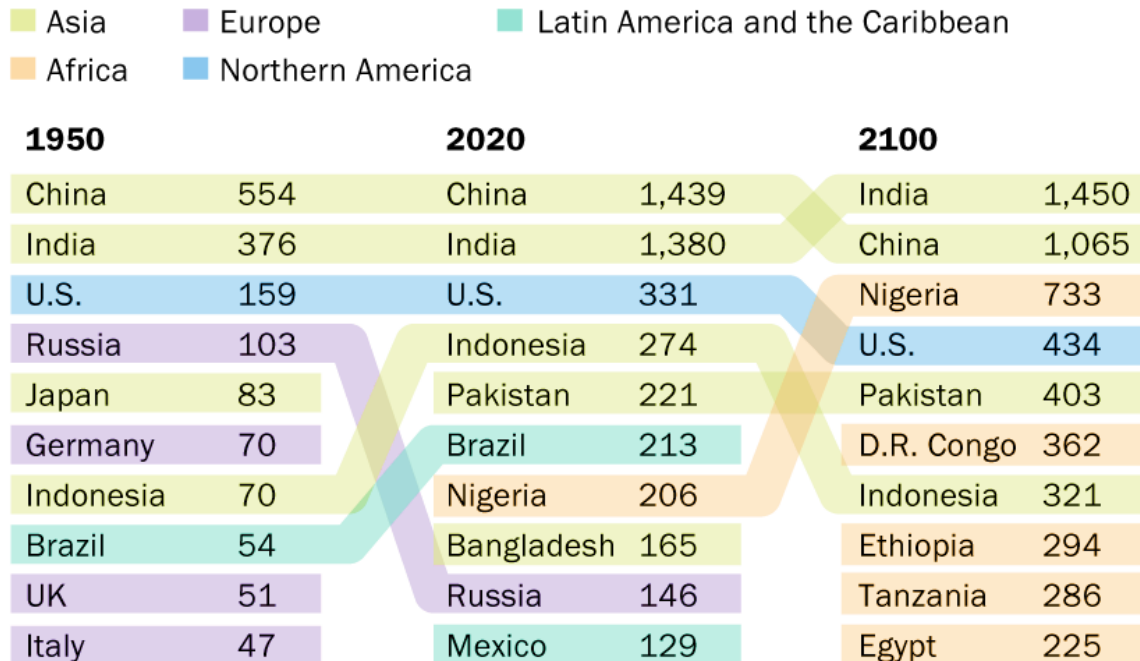
1: Build Globally Competitive Markets

The Future Will Look Different

Population

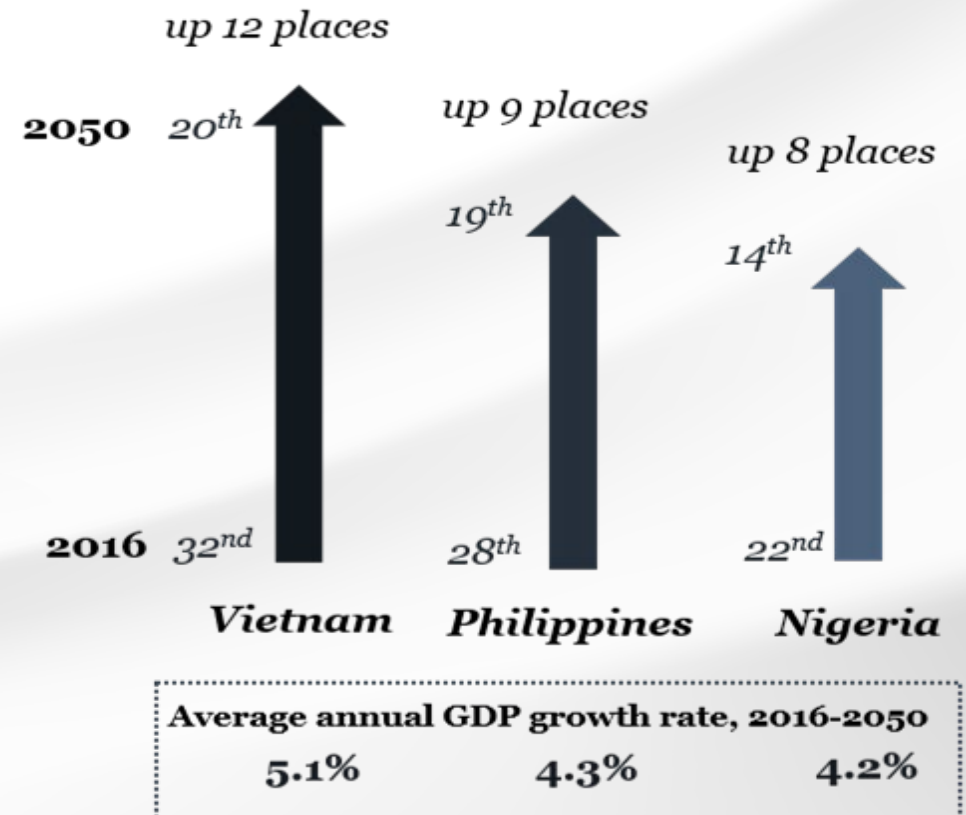
By 2100, five of the world's 10 largest countries are projected to be in Africa

Countries with largest population, in millions



GDP

Vietnam, the Philippines and Nigeria could make the greatest moves up the rankings



1: Build Globally Competitive Markets

Indo Pacific Economic Framework

- 13 partner countries (plus U.S.) signing partial or whole agreement
 - Four “pillars” of negotiations: trade, supply chains, clean economy, fair economy
 - No tariff negotiations, just regulatory commitments
 - **Opportunity: Set new precedents | Reshape multilateral agreements | Alternatives to the WTO | Counterpoint China’s CPTPP desire**
-

U.S.-Kenya Strategic Trade & Investment Partnership

- Biden Admin moving forward with Kenya talks
- Agriculture included but no tariff negotiations
- **Opportunity: AGOA expires in 2025 | Redefine U.S. trade relationship with Africa as China invests | Improve digital trade, regulatory practices, customs procedures | Advance IPEF approach on supply chain & sustainability**

Looking Ahead: Political Appointees & New Congress

- Administration's Trade Team in place:
 - Doug McKalip (USTR Chief Ag Negotiator)
 - Alexis Taylor (USDA Under Secretary)
- Control of House will influence trade & TPA discussions
- Geopolitical risks & ongoing supply chain challenges will continue to put downward pressure on trade outlook for U.S. agriculture

2: Defend Against Unfair Barriers

New Day, Same Type of Trade Barriers....

- U.S. government calls for third set of consultations with Canada over USMCA dairy TRQs
- Biotech corn and autos discussions in USMCA
- Front of Pack labeling implemented in Mexico, Chile
- Ongoing facility registration barriers in China, Indonesia, etc.

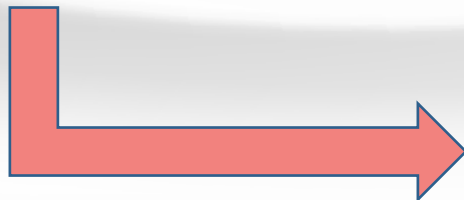
New Day, New World of Trade Barriers....

- Increased reshoring (in some sectors) and considerations of stockpiling
- Increased protectionism impacting trade policies and trading partner discussions
- Increased focus on regionalized trade to the exclusion of non-regional partners
- Repercussions related to the rise of China

3: Expand Existing Agreements

What We Have:

- “Traditional FTA” needs changing and is antiquated;
- Tariffs are not equitable;
- Climate and labor are priorities;
- “Frameworks” and “Dialogues”; and
- TIFAs could be the best trade tool.



What We Could Have:

- From “traditional” and “framework” to a new model with potentially:
 - Environmental obligations that fuse SPS/TBT?
 - TRQ administration and subsidy reform at WTO+ levels?
 - Opportunity to establish international cooperation on supply chain disruptions?
 - Commitments toward greater digitizing/transparency in supply chain?
- Tariffs may not be equitable but are not dispensable.
- Maintaining climate and labor priorities without losing existing priorities.
- Must invest in/reinvent TIFAs to make them valuable to agriculture.

3: Expand Existing Agreements

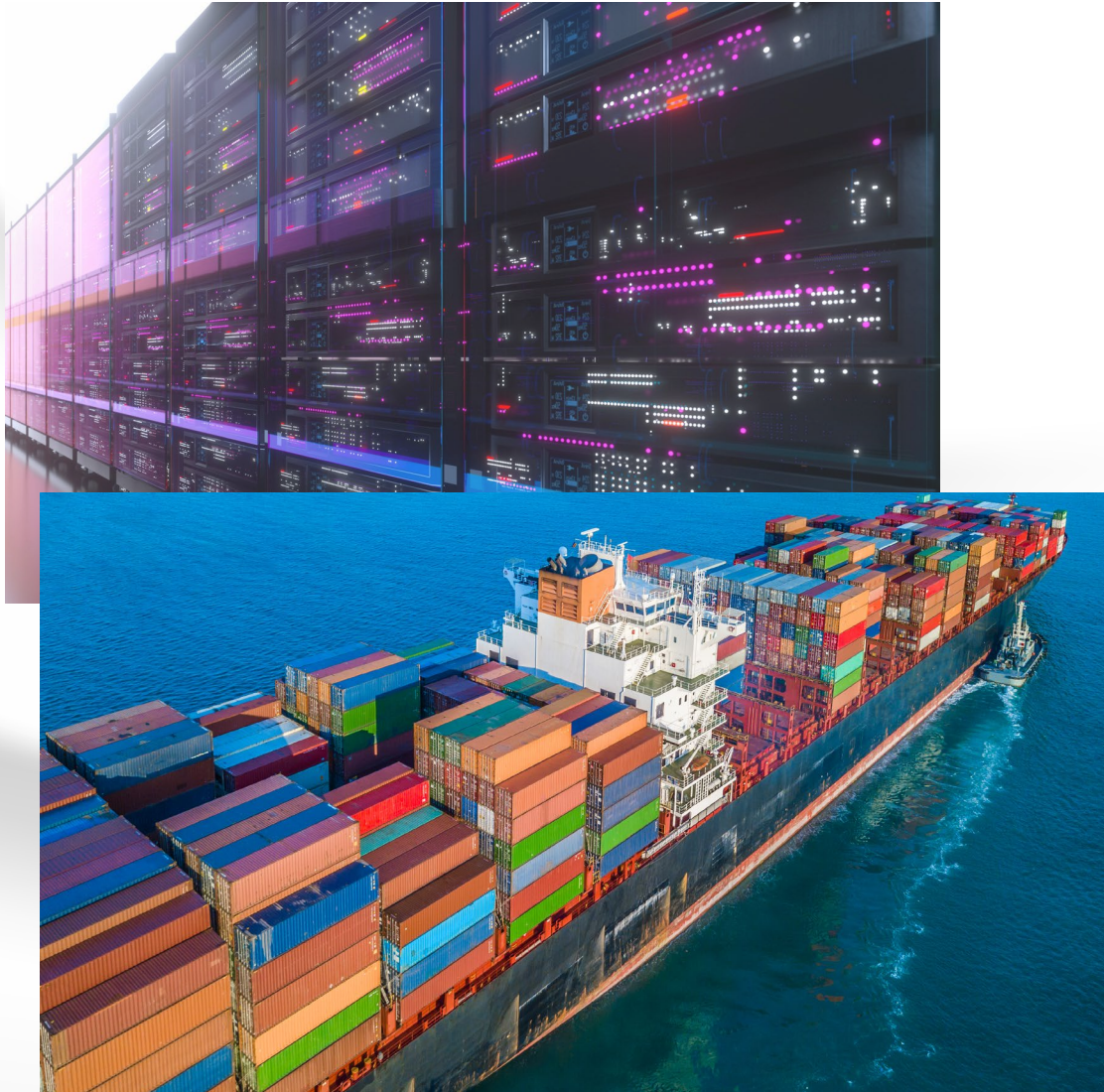
WTO Reform

As a set of existing agreements, ambitious WTO reform must be the foundation of proactive thinking about the trade policy of the future, including:

- Ensuring Agreement commitments keep pace with global economic change, including on environmental sustainability objectives.
- Address ongoing and flagrant trade distortions, including export restrictions, export subsidies that exist under other names, etc.
- Revitalizing WTO dispute mechanisms to ensure they are effective and timely.



4: Embrace New Tools & Policies



Technology & Infrastructure

- **FLOW:** Freight Logistics Optimization Works shares national logistics capacity data to help shippers optimize available freight resources.
- **SCORE:** Supply Chain Optimization and Resilience Coalition aims to create standards for the exchange of cross-platform digital information in the supply chain.
- **OSRA:** Work with FMC on writing rules for full implementation of Ocean Shipping Reform Act (OSRA).
- **Infrastructure:** Bipartisan Infrastructure Act allocates ~\$1.2T over 10 years.

4: Embrace New Tools and Policies

Sustainability...

...is the new hot policy under global discussion and an opportunity for U.S. agriculture on the global stage. In dairy alone:

- **Net Zero:** Companies representing 70%+ of milk produced in U.S. have committed to become carbon neutral by 2050.
- **Incentives On the Table:** USDA has committed to spend ~\$4B in climate & conservation funds on sustainable agriculture (\$500-\$700M going to dairy).
- **Setting the Global Standard:** USG launches the Coalition on Sustainable Productivity Growth for Food Security & Resource Conservation in 2021.
- **Leading Investment without Production Restrictions:** EU and NZ taxing and capping dairy production.

But, but, but...

- This is only environmental – what about the advent of nutritional sustainability trade policy and other ESG aspects?
- Environmental sustainability only stays an opportunity if we lead the trade policy to ensure no barriers.
- U.S. policymakers must evolve existing SPS, TBT, subsidy, and tariff frameworks.

Challenges Are Opportunities

We have challenges...

...IPEF, trade barriers, WTO reform, supply chain resilience, sustainability measures, etc.

We have opportunities...

...IPEF, trade barriers, WTO reform, supply chain resilience, sustainability measures, etc.

Our challenges can be our opportunities if we work together!

Thank You!

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