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## **U.S.-Mexico-Canada Agreement (USMCA)**

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### Issue:

On September 30, 2018, Canada joined the U.S. and Mexico in the successor to NAFTA, the U.S.- Mexico -Canada Agreement (USMCA). Implemented in 1994, NAFTA has removed barriers to intraregional trade, including agricultural products traded between Mexico and the U.S. and most agricultural products traded between the U.S. and Canada. Agricultural exports from the U.S. to Canada and Mexico have increased from \$8.9 billion in 1993 to \$39 billion in 2017.

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### Background:

NAFTA is a comprehensive economic and trade agreement that established a free-trade area between the U.S., Canada and Mexico. Tariff elimination between the United States and Canada did not extend to Canadian imports of dairy and poultry products. Tariff-rate quotas (TRQs) for these products were established to comply with WTO requirements. Tariffs were eliminated for all products between the U.S. and Mexico.

In the new USMCA, Canada has agreed to phase-in increased quota access for U.S. dairy products (fluid milk, cream, butter, skim milk powder, cheese and other dairy products) and for chicken, eggs and turkey. The increased dairy access (100,000 mt annually) is estimated to be worth \$242 million. The new amounts will be reached by year six of the agreement. There will then be one percent growth per year for an additional thirteen years. The U.S. now exports \$619 million in dairy products to Canada annually.

Canada has also agreed to end their Class 7 pricing scheme, within six months of the implementation of the USMCA. A substitute pricing formula for skim milk solids used to produce nonfat dry milk (NFDN), milk protein concentrate, and infant formula will set prices no lower than a level based on the U.S. price for nfdm. A 55,000 mt limit is placed on exports by Canada of skim milk powder and milk protein concentrate the first year of implementation, falling to 35,000 mt per year thereafter.

Canada also agreed to treat wheat imports in the same manner as domestic wheat for grading and pricing.

The Chapter 19 dispute settlement procedures will be retained in the new agreement.

A U.S.- Mexico Trade Agreement was announced by President Trump on August 27, 2018. This agreement includes higher US-Mexico content levels for autos, from 62.5% to 75%, and a six-year review of the agreement instead of a hard sunset. Agricultural tariffs between the U.S. and Mexico will remain at zero. Provisions regarding biotechnology and geographic indications are included.

The chapter on Sanitary/Phytosanitary Standards (SPS) includes scientifically based, nondiscriminatory and transparent food safety standards.

The steel and aluminum tariff issues are not covered in the agreement.

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Status:

On September 30, 2018, the U.S.-Mexico-Canada Preliminary Agreement in Principle on NAFTA Renegotiation was concluded. The agreement will be signed by the three countries on November 30, 2018. Congress can then consider the agreement.

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AFBF Policy:

Farm Bureau policy supports the U.S. government acting to protect U.S. agricultural interests in NAFTA.

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