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US and Canada strike trade deal; Class 7 dairy policy to be terminated

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U.S. and Canadian negotiators have reached an eleventh-hour agreement assuring Canada will be part of the renegotiated North American Free Trade Agreement that is to be renamed the United States, Mexico, Canada Agreement (USMCA).

Canada, in the hard-fought talks that seemed to be at an impasse just two days ago, agreed to eliminate its Class 7 dairy pricing program. The deal was announced late Sunday night after a marathon negotiating session.

"USMCA will give our workers, farmers, ranchers and businesses a high-standard trade agreement that will result in freer markets, fairer trade and robust economic growth in our region," U.S. Trade Representative Robert Lighthizer and Canadian Foreign Affairs Minister Chrystia Freeland said in a joint statement. "We look forward to further deepening our close economic ties when this new agreement enters into force."



Sept. 30 was the latest deadline set by the Trump administration to for a deal to rewrite the North American Free Trade Agreement, a trilateral deal extremely favored by the U.S. farm sector because it eliminated virtually all agricultural tariffs and boosted in trade in pork, beef, soybeans corn, wheat, apples, potatoes, dairy and many other commodities.

The deadline was necessary, the White House said, in order to get an agreement that can be signed by Mexico's outgoing president, Enrique Peña Nieto, before the new administration there takes over on Dec. 1.

The Trump administration's insistence that Canada terminate Class 7 turned out to be one of the thorniest issues and was one of the last differences between the two countries to be resolved.

It was early last year that Canada introduced Class 7 on a national level and U.S. dairy farmers were furious. They claimed the policy resulted in Canada flooding the international market with subsidized skim milk powder and creating hundreds of millions of dollars in damage to U.S. exports.

The Canadian Dairy Commission and the federal government implemented Class 7 to boost domestic butter production by raising the floor price for milk. The problem was that the program also spurred the production of skim-milk powder, much of which is exported at artificially low prices. Also, Canadian cheese makers no longer want as much high protein ultrafiltered milk from the U.S. because they can replace much of it with the sharply discounted Canadian non-fat solids.

Senior U.S. administration officials told reporters that Canada also agreed to generally increase market access to U.S. producers, but did not specify how much.

A U.S.-Canada deal under the Trans-Pacific Partnership, which the U.S. pulled out of in January, 2017, would have resulted in an increase of about \$1.2 billion worth of U.S. dairy exports to Canada, according to an analysis (<https://www.usitc.gov/publications/332/pub4607.pdf>) by the U.S. International Trade Commission.

The U.S.-Canada deal received swift compliments from Capitol Hill.

"I am pleased that the Trump administration was able to strike a deal to modernize NAFTA with both Mexico and Canada," said Sen. Orrin Hatch, R-Utah. "NAFTA is a proven success for the United States, supporting more than 2 million American manufacturing jobs and boosting agricultural ex-

ports to Canada and Mexico by 350 percent ... I look forward to reviewing this deal to confirm it meets the high standards of Trade Promotion Authority (TPA)."



Bill Tomson

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