

Canadian Embassy



Ambassade du Canada

April 18, 2017

Governor Andrew Cuomo
NYS State Capitol
Governor of New York State
Albany, NY 12224

Governor Scott Walker
115 East State Capitol
Madison, WI 53702-0001

Dear Governor Cuomo and Governor Walker,

The Government of Canada is aware of your letter asking that President Trump address Canada's dairy policies.

Canada does not accept the contention that Canada's dairy policies are the cause of financial loss for dairy farmers in the United States. The facts do not bear this out.

The attached United States Department of Agriculture dairy outlook report clearly indicates that poor results in the U.S. sector are due to U.S. and global overproduction. As made clear in the report, Canada is not a contributor to the overproduction problem.

Dairy trade between Canada and the U.S. is important and the sectoral trade balance massively favours the U.S., at around 5 to 1. U.S. exports of milk protein substances, including diafiltered milk to Canada, were USD\$98 million in 2016, up from USD\$33 million in 2011. Dairy imports into Canada from the U.S. were up \$83M compared to 2015, a significant year-over-year increase of around 17%. Dairy imports into Canada from the U.S. were up \$83M compared to 2015, a significant year-over-year increase of around 17%.

Dairy farmers globally, and not just in the U.S., are facing many challenges. In particular, both Canadian and American farmers have been dealing with international pressures of low world prices, and a surplus of skim milk solids. Like their U.S. counterparts, Canadian farmers are trying to adapt. This is why the Canadian industry has taken steps to reform - including the negotiation of the National Ingredient Strategy. The national ingredient strategy is industry-driven and was developed between dairy producers and processors.

Canada upholds our international trade obligations. Under the North American Free Trade Agreement, the U.S. has duty-free and quota-free access for milk protein substances, including diafiltered milk. This duty-free and quota-free access has not changed.

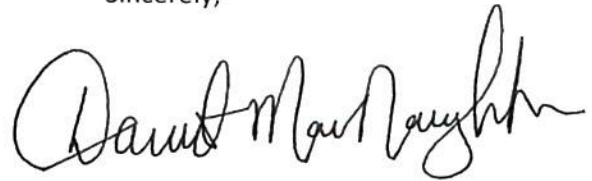
Canada has not taken any broader actions to limit imports from the United States. As a matter of fact, Canada's dairy industry is less protectionist than that of the U.S, which has employed technical barriers to keep Canadian dairy out of the U.S. market. Canada imports 6.3 percent of its cheese, 10 per cent of its butter and 10 per cent of its milk powders, while the U.S. imports 3 per cent of its cheese, 3 per cent of its butter and 8 per cent of milk powders – notably less than Canadian imports.

Canada is not to blame for the global situation that both Canadian and American farmers face. Our government supports Canada's supply management system, dairy farmers, and the entire Canadian dairy industry.

We understand that the U.S. wishes to do the same for its industry. But it is important that we work together to grow middle class jobs, and not lay blame where it does not belong, for economic changes that are the result of global market trends.

The Canada-U.S. partnership is a model to the world. Let's keep it that way by working together, as we have so often in our history, to make it even better.

Sincerely,

A handwritten signature in black ink, reading "David MacNaughton". The signature is written in a cursive style with a large, prominent initial "D".

David MacNaughton
Ambassador