

Agricultural Provisions of the U.S.-Mexico-Canada Agreement

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The United States-Mexico-Canada Agreement (USMCA), a comprehensive trade agreement among the three countries, entered into force on July 1, 2020. USMCA replaced the North American Free Trade Agreement (NAFTA), which had been in effect since 1994. NAFTA contributed to notable increases in trade in agricultural products within North America. Under NAFTA, Mexico eliminated all tariffs and quotas that formerly governed agricultural imports from the United States over a period of 14 years beginning in 1994. Canada and the United States granted each other's agricultural exports full market access, save for specific exceptions. The agricultural exceptions under NAFTA included Canadian imports of U.S. dairy products, poultry, eggs, and margarine and U.S. imports of Canadian dairy products, peanuts, peanut butter, cotton, sugar, and sugar-containing products. Under NAFTA, Canada has been the United States' top agricultural export market since 2002, and Mexico has in most years ranked second.

USMCA provides for no further market access changes for bilateral agricultural trade between the United States and Mexico. USMCA expands market access for U.S. exports of dairy, most poultry products, and eggs to Canada. It is likely to lead to lower U.S. access for chicken meat relative to projected access under NAFTA provisions. Likewise, USMCA expands access for Canadian dairy, peanuts, peanut butter, cotton, sugar, and sugar-containing exports to the United States.

USMCA includes new provisions to govern trade in agricultural biotechnology products; limits the use of Geographical Indications (GIs) to block exports of products labeled in certain ways; adds confidentiality protection for proprietary food formulas, and requires USMCA countries to apply the same regulatory treatment to imported alcoholic beverages and wheat as those that govern their domestic products. Some of these provisions could serve as models for U.S. proposals in other future trade negotiations.

Canada and Mexico, the leading suppliers of and destinations for U.S. agricultural products, jointly accounted for 29% of all U.S. agricultural exports and 40% of total imports in 2019. Consumer-oriented foods, such as meats, dairy, fruit, vegetables, and prepared and packaged foods, have increasingly gained share of trade in the region. Since the implementation of NAFTA, U.S. bilateral trade with Canada and Mexico has substantially increased, and according to several estimates, will likely grow under USMCA. Studies indicate modest gains in regional trade under USMCA, with the greatest potential for gains from provisions to modernize and integrate customs procedures to reduce trade costs and border inefficiencies. A study indicates gains to be greater for Canada than for the other two countries, while another indicates possible losses for small fruit and vegetable producers in the State of Georgia.

As it oversees the implementation of USMCA, Congress may monitor Canada's actions to expand market access for U.S. dairy, poultry meat, and eggs. Congress may also examine progress in implementing the various nontariff provisions that the three countries agreed to under the USMCA, particularly efforts to harmonize sanitary and phytosanitary rules and to establish a regulatory framework to govern trade in products created with agricultural biotechnology.

USMCA has expanded access to the U.S. market for Canadian dairy, sugar, and products containing sugar, and Congress may examine how this improved access to the U.S. market affects these sectors and the U.S. rural economy. It may also evaluate the effects of supply-chain disruptions due to the Coronavirus Disease 2019 (COVID-19) pandemic and any impacts on efforts toward greater integration of the North American market for agricultural products.

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Introduction

The United States-Mexico-Canada Agreement (USMCA), a comprehensive trade agreement among the three countries, entered into force on July 1, 2020.¹ USMCA replaced the North American Free Trade Agreement (NAFTA), which had been in effect since 1994 (P.L. 103-182). USMCA continues the liberalization of agricultural trade within North America, which has been under way for more than three decades. It also addresses a number of trade-related issues that NAFTA did not consider. This report provides a brief history of agricultural trade agreements within North America, explores the changes made in the USMCA, and considers how the new agreement is likely to affect the flow of trade in agricultural commodities and food products.

Agricultural Trade Liberalization in North America

The Canada-U.S. Free Trade Agreement (CUSTA), which went into effect on January 1, 1989, began the process of agricultural trade liberalization within North America. The agreement provided for the elimination of almost all tariffs on agricultural products traded between the two countries over a 10-year period, although each country retained the right to impose temporary duties on certain fresh fruits and vegetables to protect against import surges from the other country. The agreement also exempted full liberalization of meat trade between the two countries, and did not include provisions to prevent Canada from using discriminatory marketing and pricing measures for U.S. wine and distilled spirits. It barred the United States from imposing import restrictions on Canadian products containing less than 10% sugar by weight and provided for the elimination of certain Canadian grain transportation subsidies. Most U.S. and Canadian nontariff barriers and agricultural support policies were unchanged by the agreement.²

NAFTA was structured as three separate agreements, one between Canada and the United States, one between the United States and Mexico, and the third between Mexico and Canada. The U.S. - Canada portion of NAFTA incorporated the agricultural provisions of CUSTA. NAFTA continued to exempt certain products from market liberalization, including U.S. imports from Canada of dairy products, peanuts, peanut butter, cotton, sugar, and sugar-containing products and Canadian imports from the United States of dairy products, poultry, eggs, and margarine. Canada's imports of these products were limited by tariff-rate quotas (TRQs), which provided for a volume of imports to enter with no tariff but assessed high tariffs on imports beyond the quota amount.

The United States and Mexico agreement under NAFTA did not exclude any agricultural products from trade liberalization. Numerous restrictions on bilateral agricultural trade were eliminated immediately upon NAFTA's implementation, while others were phased out over a 14-year period. Remaining trade restrictions on the last handful of agricultural commodities (such as U.S. exports to Mexico of corn, dry edible beans, and nonfat dry milk and Mexican exports to the United States of sugar, cucumbers, orange juice, and sprouting broccoli) were removed upon the completion of the transition period in 2008.³ **Table 1** provides a chronology of measures to liberalize agricultural trade within North America.

¹ For more information, see CRS Report R44981, *The United States-Mexico-Canada Agreement (USMCA)*, by M. Angeles Villarreal and Ian F. Fergusson.

² CRS Report 88-506, *The Effect of the Canada-U.S. Free Trade Agreement on U.S. Industries*, by Arlene Wilson and Carl E. Behrens, July 22, 1988. This document is available to congressional clients upon request.

³ Sugar trade between the United States and Mexico is governed by antidumping duty and countervailing duty suspension agreements that imposed several limitations on this trade beginning in December 2014 and subsequently

Table 1. Chronology of North American Agricultural Market Liberalization

January 1989	Canada-United States Trade Agreement implemented.
January 1994	NAFTA enters force, tariffs eliminated for many products, including: U.S. tariffs on Mexican corn, sorghum, barley, soymeal, pears, peaches, oranges, fresh strawberries, beef, pork, poultry, most tree nuts, and carrots; and Mexican tariffs on U.S. sorghum, fresh strawberries, oranges, other citrus, carrots, and most tree nuts.
January 1998	Completion of 10-year transition period between Canada and the United States. Remaining Canadian tariffs on U.S. products eliminated, except for exempted products such as dairy, poultry, and eggs. Remaining U.S. tariffs on Canadian products removed, except for dairy products, peanuts, peanut butter, cotton, sugar, and sugar-containing products. U.S. tariffs eliminated on Mexican non-durum wheat, soy oil, cotton, and oranges. Among others, Mexican tariffs eliminated on imports of U.S. pears, plums, apricots, and cotton.
January 2003	NAFTA nine-year transition period between Mexico and the United States completed. Among others, U.S. tariffs eliminated on imports of Mexican durum wheat, rice, dairy, winter vegetables, frozen strawberries, and fresh tomatoes. Among others, Mexican tariffs eliminated on imports of U.S. wheat, barley, soybean meal and soybean oil, rice, dairy products, poultry, hogs, pork, cotton, tobacco, peaches, apples, oranges, frozen strawberries, and fresh tomatoes.
January 2008	Completion of 14-year transition period under NAFTA between Mexico and the United States. In 2008, the remaining few tariffs were removed. U.S. tariffs eliminated on imports of Mexican frozen concentrated orange juice, winter vegetables, sugar, and melons. Mexican tariffs eliminated on imports of U.S. corn, sugar, dried beans, milk powder, high fructose corn syrup, and chicken leg quarters.
May 2017	Trump Administration sends a 90-day notification to Congress of its intent to renegotiate and modernize NAFTA.
August 2017	Renegotiation talks begin.
September 30, 2018	Trump Administration sends a 90-day notification to Congress of its intent to enter into an agreement with Mexico and Canada to modify and modernize NAFTA.
November 30, 2018	President Trump and presidents of Canada and Mexico sign the proposed USMCA.
April 2019	U.S. International Trade Commission submits report assessing potential economic impacts of USMCA to the President and Congress.
January 29, 2020	USMCA implementing legislation becomes law (P.L. 116-113).
July 1, 2020	USMCA enters into force.

Source: Steven Zahniser and John Link, *Effects of North American Free Trade Agreement on Agriculture and the Rural Economy*, WRS-02-1, U.S. Department of Agriculture (USDA), Economic Research Service (ERS), July 2002; Henrich Brunke and Daniel A. Sumner, "Role of NAFTA in California Agriculture: A Brief Review," AIC Issues Brief, no. 21, University of California, February 2003; Steven Zahniser and Zachary Crago, *NAFTA at 15: Building on Free Trade*, WRS-09-03, USDA, ERS, March 2009; and CRS Report R44981, *The United States-Mexico-Canada Agreement (USMCA)*, by M. Angeles Villarreal and Ian F. Fergusson.

revised in June 2017. See CRS In Focus IF10693, *Amended Sugar Agreements Recast U.S.-Mexico Trade*, by Mark A. McMinimy.

In addition to directly improving market access, NAFTA addressed other issues related to the integration of the North American agricultural market. These included provisions on rules of origin to exclude products originally shipped from other countries from benefiting from NAFTA preferential treatment; the development, adoption, and enforcement of sanitary and phytosanitary (SPS) regulations in the region; and a commitment by the United States and Mexico that when either country applies marketing, grade, or quality standards to a domestic product destined for processing, it will provide no less favorable treatment for like products imported for processing.⁴

Provisions of USMCA

USMCA expands upon the agricultural provisions of NAFTA by further reducing market access barriers and strengthening provisions to facilitate trade in North America.

Expansion of Market Access Provisions

All food and agricultural products that had zero tariffs under NAFTA remain at zero under USMCA. Regarding U.S.-Mexico trade in agricultural products, under NAFTA, the two countries eliminated all the tariffs and quotas that formerly governed agricultural imports, and USMCA provides for no further market access changes for agricultural trade between the two countries.

Regarding trade between the United States and Canada, the two countries are providing greater access to most products that faced restrictions under NAFTA. This includes Canada expanding its access to imports of U.S. dairy products, poultry, eggs, and margarine and the United States granting access to imports of Canadian dairy products, peanuts, peanut butter, cotton, sugar, and sugar-containing products.

Expanded Access for U.S. Imports to Canada

Canada has historically employed a supply management regime that included TRQs on imports of dairy and poultry. Canada's TRQs under NAFTA appear to have restricted imports of some dairy, poultry, and egg products, as the imported volumes for some of these products regularly equaled or exceeded their set quota limits.⁵ Under USMCA, Canada is changing its TRQs to expand access for U.S. products. **Table 2** summarizes the changes in the market access regime for U.S. agricultural exports to Canada.

U.S. Dairy Market Access Under USMCA

Canada's import restrictions on U.S. dairy products were a high-profile issue for the United States in the USMCA negotiations, so it is noteworthy that under USMCA, Canada agreed to reduce certain barriers to U.S. dairy exports. For one, Canada has agreed to make changes to its milk pricing system, which has been accused of setting low prices for Canadian skim milk solids and thereby undercutting U.S. exports. Effective January 1, 2021, Canada has agreed to eliminate its

⁴ For more information, see CRS Report R44875, *The North American Free Trade Agreement (NAFTA) and U.S. Agriculture*, by Renée Johnson.

⁵ Richard Barichello, "A Review of Tariff Rate Quota Administration in Canadian Agriculture," *Agricultural and Resource Economics Review*, vol. 29, no. 1 (April 2000), pp. 103-114; personal communication with Richard Barichello, March 18, 2019; World Trade Organization (WTO), Tariff-Rate Quota notification by Canada, G/AG/N/CAN/128, March 7, 2019; Anastasie Hacault, "The Impact of Market Access Reforms on the Canadian Dairy Industry," thesis submitted to the University of Manitoba, 2011, at <http://www.cdc-ccl.gc.ca/CDC/userfiles/file/Hacault%20Thesis.pdf>.

Class 7 milk price (which includes skim milk solids and is designated as Class 6 in Ontario) and will henceforth set its price for skim milk solids based on a formula that takes into account the U.S. nonfat dry milk price.⁶ In the future, the United States and Canada have agreed to notify each other if either introduces a new milk class price or changes an existing price for a class of milk products.

Canada has also converted its dairy TRQs under NAFTA, which were available to all World Trade Organization (WTO) members, to U.S.-specific quotas. Under USMCA, Canada has agreed to maintain its dairy supply management system, but the TRQs are to be increased each year for U.S. exports of milk, cheese, cream, skim milk powder, condensed milk, yogurt, and several other dairy categories (see **Table 2**). U.S. dairy exports to Canada is to continue to face zero in-quota tariffs, as under NAFTA. Exports over set quota limits are to continue to face tariffs as high as 200% to 300%.⁷ While WTO TRQs are to remain available to U.S. dairy product exporters, the new TRQs under USMCA are to provide additional access to U.S. dairy products into Canada.

USMCA includes provisions on transparency for the implementation of TRQs. These include requirements to provide advance notice of changes to the quotas and to make public the details of quota utilization rates so that exporters are able to monitor the extent to which the quotas are filled. USMCA also includes a requirement that the United States and Canada meet five years after the implementation of the agreement—and every two years after that—to determine whether to modify the dairy provisions of the agreement.

U.S. Poultry Market Access Under USMCA

Canada replaced its NAFTA market access commitments for U.S. poultry and eggs with new USMCA TRQs. Imports of U.S. poultry products over set quota limits may face tariffs as high as almost 400%.⁸ Under USMCA, Canada's TRQ for imports of U.S. eggs is to be phased over six equal installments, reaching 10 million dozen by 2025 and then increasing by 1% per year for the following 10 years. The annual TRQs for turkey and broiler hatching eggs and chicks are set by formulas based on Canadian production (see **Table 2**).

For chicken meat, the duty-free quota under USMCA starts at 47,000 metric tons per year and expands to 57,000 metric tons in 2025. It then is to continue to increase by 1% per year for the next 10 years (**Table 2**). The United States also has access to Canada's WTO chicken meat quota of 39,844 metric tons that is available to imports from all origins.⁹

⁶ U.S. exports are for nonfat dry milk, defined by U.S. standards and regulations, while skim milk powder is defined by the *Codex Alimentarius*, an international agreement on food standards. Nonfat dry milk has protein content requirements and does not include food additives. The Codex standard allows skim milk powder to have a lower protein content than that required by the U.S. standard and can contain food additives. All U.S. nonfat dry milk meet the Codex skim milk powder requirement but all skim milk powder may not meet the U.S. nonfat dry milk standard. See Phil Tong, "Nonfat Dried Milk and Skim Milk Powder –All The Same or Different?" ADPI Intelligence, vol. 5, issue 1, American Dairy Products Institute, 2017.

⁷ WTO, "Canada Trade Policy Review: Report by The Secretariat," Table 3.5, WT/TPR/S/314/Rev.1, September 30, 2015, at <https://docsonline.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/TPR/S314R1.pdf&Open=True>; and USDA, FAS, "Canada: Dairy and Products," Annual GAIN Report Number: CA18057, October 25, 2018.

⁸ For poultry over-quota tariff rates, see WTO, "Canada Trade Policy Review: Report by The Secretariat," Table 3.6, WT/TPR/S/314/Rev.1, September 30, 2015, at <https://docsonline.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/TPR/S314R1.pdf&Open=True>.

⁹ Office of the U.S. Trade Representative (USTR), Agreement Between the United States of America, the United Mexican States, and Canada Text, Signed November 30, 2018, <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between>.

Table 2. Canadian Market Access for U.S. Agricultural Imports Under USMCA

	Tariff Rate Quotas (TRQs)	Tariff Rate, %
NAFTA commitments continue: Tariffs eliminated for almost all agricultural products under NAFTA		0
NAFTA liberalization exemption: Dairy and poultry imports into Canada	TRQs opened under WTO commitments	0 in-quota; WTO MFN over-quota
Dairy, U.S.-specific USMCA TRQs, in addition to TRQs under WTO		
Fluid milk TRQ begins at 8,333 MT and increases by 1% each year for 13 years after year 6	50,000 MT by August 2024, 56,905 MT by August 2036	0 in-quota; WTO MFN over-quota
Skim milk powder TRQ begins at 1,250 MT and increases by 1% each year for 13 years after year 6	7,500 MT by August 2024	0 in-quota; WTO MFN over-quota
Cheese TRQ (50% is for industrial use) begins at 2,084 MT and increases by 1% each year for 13 years after year 6	12,500 MT by January 2025	0 in-quota; WTO MFN over-quota
Cream TRQ begins at 1,750 MT and increases by 1% each year for 13 years after year 6	10,500 MT by August 2024	0 in-quota; WTO MFN over-quota
Whey TRQ begins at 689 MT and increases by 1% each year after year 6, until year 10	4,135 MT by August 2024	0 after year August 2028
Other dairy products (butter and cream powder, concentrated and condensed milk, yogurt and buttermilk, powdered buttermilk, ice cream, natural milk constituents, other dairy and margarine) begins at 2,561 MT and increases by 1% each year for 13 years after year 6	15,365 MT by August 2024 for butter and cream powder, and January 2025 for the rest	0 in-quota; WTO MFN over quota Margarine, 0 starting January 2025
Poultry products, new USMCA TRQs		
Chicken meat, to increase by 1% each year for 10 years after year 6	47,000 MT in year one, reaching 57,000 MT by January 2025	0 in-quota; WTO MFN over-quota
Turkey meat, after 2029, Canada may restrict TRQ size if it exceeds 3.5% of that year's production level by 1,000 MT	≥ 3.5% of Canada's previous year's domestic production	0 in-quota; WTO MFN over-quota
Eggs and products (eggs and egg-equivalent), to increase by 1% for 10 years after year 6	1.67 million dozen in year one, reaching 10 million dozen by January 2025	0 in-quota; WTO MFN over-quota
Broiler hatching eggs and chick products	≥ 21.1% of Canada's domestic production for that year	0 in-quota, WTO MFN over-quota

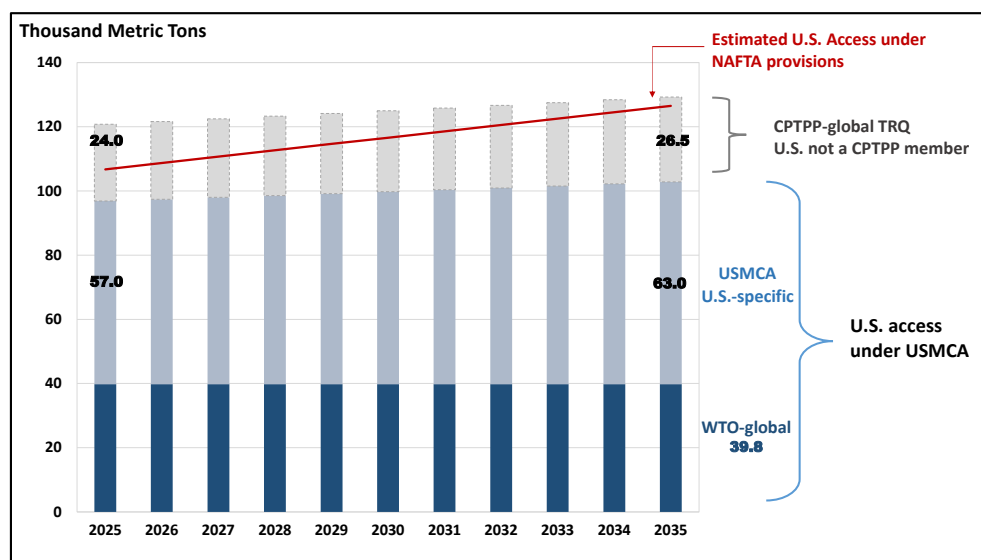
Source: Office of the U.S. Trade Representative (USTR), "Agreement Between the United States of America, the United Mexican States, and Canada 7/1/20 Text," accessed November 2020, at <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between>; and USDA GAIN Report Number:CA0125, 2000, at <https://apps.fas.usda.gov/gainfiles/200008/30677853.pdf>.

Notes: The TRQs for turkey meat and broiler hatching eggs and chicks are based on anticipated current-year production or World Trade Organization (WTO) commitment volume, whichever is greater. MT = metric tons, MFN = Most Favored Nation. MFN tariffs are levied in a nondiscriminatory manner by WTO member countries on all imports excepting imports from countries with a preferential trade agreement when a lower rate of tariff may be applied.

The sum of the USMCA and WTO quotas is lower than the total quota that was available to U.S. chicken meat under NAFTA (**Figure 1**), which was set at 7.5% of Canada's estimated production

level in the previous year. For example, the USMCA full-year quota for 2020 would have been 88,300 metric tons¹⁰ compared with an estimated quota of 99,630 metric tons under NAFTA.¹¹ The Coronavirus Disease 2019 (COVID-19) pandemic has led to a reduction in Canada's production of chicken meat in 2020. This would have led to a reduction in the NAFTA quota for 2021 (estimated at 96,750 metric tons), but it does not affect the USMCA quota of 88,800 metric tons.¹²

Figure 1. U.S. Chicken Meat Access To Canada Under NAFTA, USMCA and CPTPP
After Full Implementation (Sixth Year) of USMCA in 2025



Source: Canada's Commitments under World Trade Organization (WTO), North American Free Trade Agreement (NAFTA), and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). NAFTA's estimated quota is CRS calculation as a 7.5% of Canada's previous year's chicken meat production, which was projected with an equation estimated using Canada's chicken meat production from 2007 to 2019 from USDA's Production, Supply, and Demand database, at <https://apps.fas.usda.gov/psdonline/app/index.html#/app/advQuery>.

Note: TRQ = Tariff-rate quota.

Canada has also allocated a global TRQ for chicken meat under the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), which entered into force for Canada on December 30, 2018.¹³ Given the geographic disadvantage of most CPTPP member countries,¹⁴

¹⁰ Note that from January-June 2020, Canada's NAFTA TRQ was effective and USMCA TRQs became effective only for July-December 2020. Given the two different import regimes, total TRQ available for U.S. chicken meat exports to Canada in 2020 was 91,900 metric tons—less than the 99,630 metric tons estimated for NAFTA. See, USDA, FAS, "Canada: Poultry and Products Annual," GAIN Report Number: CA2020-0078, August 26, 2020.

¹¹ The 2020 quota is calculated as 7.5% of the 1,328,900 metric tons of chicken meat Canada produced in 2019. USDA, FAS, "Canada: Poultry and Products Annual," GAIN Report Number: CA2020-0078, August 26, 2020.

¹² Ibid.

¹³ Government of Canada, "About the Comprehensive and Progressive Agreement for Trans-Pacific Partnership," accessed October 2020, at https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cptpp-ptpp/backgrounder-document_information.aspx?lang=eng#:~:text=The%20CPTPP%20entered%20into%20force,Vietnam%20on%20January%2014%2C%202019.

¹⁴ As of October 2020, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has been ratified by Australia, Canada, Japan, Mexico, New Zealand, and Vietnam. Other signatories to the CPTPP include Brunei, Chile, Malaysia, Peru, and Singapore. Mexico and Peru are net importers of poultry products.

these countries are unlikely to fill Canada's CPTPP quota for chicken meat. The U.S. Department of Agriculture (USDA) attaché in Canada reports that Chile could ship chicken meat to Canada under the CPTPP TRQ, but Chile has not yet ratified the agreement and no trade has occurred under this TRQ.¹⁵ If the CPTPP TRQ is added to the USMCA TRQ, market access for U.S. chicken meat into Canada could possibly exceed the volume that would have been permitted under NAFTA (**Figure 1**.)

Expanded Access for Canadian Imports to the United States

The United States, in turn, agreed to improve access for Canadian dairy products, sugar, peanuts, peanut butter, and cotton. The United States agreed to increase TRQs for Canadian dairy, sugar, and sugar-containing products (**Table 3**). The United States is phasing out the tariffs on cotton, peanut, and peanut butter imports from Canada, and agreed to eliminate these tariffs on January 1, 2025.¹⁶

Canadian Dairy Product Access Under USMCA

Under USMCA, the United States is providing Canada-specific TRQs for dairy products (**Table 3**). In addition to these quotas, Canada may also have access to other existing dairy quotas that the United States provides to all foreign suppliers under its WTO commitments.¹⁷ Canada-specific access includes a set volume of imports that increase up to 2025, and then increase 1% each year for 13 more years. The United States has expanded access for Canadian ice cream, other creams, milk beverages, skim milk powder, butter, cream powder, cheese, whole milk powder, dried yogurt, whey, other milk components, concentrated milk, and various other dairy products (**Table 3**). Imports of Canadian dairy products within the quotas face zero duties, while imports over the set quota volumes are to be levied duties that can exceed 100% for some products.¹⁸

Canadian Sugar and Sugar-Containing Product Market Access Under USMCA

Under USMCA, the United States is providing access each year to 9,600 MT of refined sugar processed wholly from Canadian sugar beets under a new Canada-specific TRQ. If the Secretary of Agriculture makes a determination to increase the refined sugar TRQ under U.S. WTO commitments, 20% of the additional WTO quota volume will be reserved for Canadian sugar.¹⁹ The in-quota tariff for all sugar imports is zero, and the over-quota tariff can be close to 90% for some products.²⁰

¹⁵ USDA, FAS, "Canada: Poultry and Products Annual," GAIN Report Number: CA2020-0078, August 26, 2020.

¹⁶ USTR, Agreement Between the United States of America, the United Mexican States, and Canada 7/1/20 Text, National Treatment and Market Access For Goods, Tariff Schedule of the United States, General Notes, Chapter 2, Annex 2-B-6, accessed October 2020, at <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between>.

¹⁷ Ibid., Appendix 2, Tariff Schedule of the United States – Tariff Rate Quotas.

¹⁸ World Integrated Trade Solution (WITS), TRAINS Ad Valorem Equivalent data for 2018, accessed November 2020.

¹⁹ USTR, Agreement Between the United States of America, the United Mexican States, and Canada 7/1/20 Text, Chapter 2, National Treatment and Market Access For Goods, Tariff Schedule of the United States, Tariff Rate Quotas, TRQ-US9: Sugar, accessed October 2020, at <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between>.

²⁰ WITS, TRAINS Ad Valorem Equivalent data for 2018, accessed November 2020.

Table 3. U.S. Market Access for Canadian Agricultural Products Under USMCA

	Tariff Rate Quotas (TRQs)	Tariff Rate, %
NAFTA commitments continue: Tariffs eliminated for almost all agricultural products under NAFTA		0
NAFTA liberalization exemption: Dairy, peanut, peanut butter, cotton, sugar and sugar-containing products into the United States	TRQs opened under WTO commitments	0 in-quota; WTO MFN over-quota
Peanut, Peanut Butter, and Cotton under USMCA: 6 annual tariff reductions		0, starting January 2025
Dairy, Canada-specific USMCA TRQs, in addition to TRQs under WTO		
Cream, ice cream, and milk beverages, TRQ begins at 1,750 liters and increases by 1% each year for 13 years after year 6	10,500 liters by January 2025	0 in-quota; WTO MFN over-quota
Skim milk powder, TRQ begins at 1,250 MT and increases by 1% each year for 13 years after year 6	7,500 MT by January 2025	0 in-quota; WTO MFN over-quota
Butter, cream, and cream powder TRQ begins at 750 MT and increases by 1% each year for 13 years after year 6	4,500 MT by January 2025	0 in-quota; WTO MFN over-quota
Cheese TRQ begins at 2,083 MT and increases by 1% each year for 13 years after year 6	12,500 MT by January 2025	0 in-quota; WTO MFN over-quota
Whole milk powder TRQ begins at 115 MT and increases by 1% each year for 13 years after year 6	690 MT by January 2025	0 in-quota; WTO MFN over-quota
Dried yogurt, sour cream, whey and other milk constituents TRQ begins at 1,838 MT and increases by 1% each year for 13 years after year 6	11,030 MT by January 2025	0 in-quota; WTO MFN over-quota
Concentrated milk TRQ begins at 230 MT and increases by 1% each year for 13 years after year 6	1,380 MT by January 2025	0 in-quota; WTO MFN over-quota
Other dairy products TRQ begins at 317 MT and increases by 1% each year for 13 years after year 6	1,900 MT by year January 2025	0 in-quota; WTO MFN over-quota
Sugar and sugar-containing product TRQs under USMCA		
Refined sugar TRQ, Canada-specific, new under USMCA	9,600 MT	0 in-quota, WTO MFN over-quota.
Refined sugar TRQ, allocation of WTO quota	At least 10,300 MT	0 in-quota; WTO MFN over-quota
Sugar-containing product TRQ, allocation of WTO quota	At least 59,250 MT	0 in-quota; WTO MFN over-quota

Source: Office of the U.S. Trade Representative (USTR), "Agreement between the United States of America, the United Mexican States, and Canada 7/1/20 Text," accessed October 2020, at <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between>.

Notes: MT = metric tons, WTO = World Trade Organization, MFN = Most Favored Nation. MFN tariffs are levied in a nondiscriminatory manner by WTO member countries on all imports excepting imports from countries with a preferential trade agreement when a lower rate of tariff may be applied.

The United States is further guaranteeing market access to Canadian sugar and sugar-containing products by allocating Canada-specific quotas within the TRQs the United States established per its WTO commitments (see **Table 3**). The country-specific quotas thus allocated to Canada are

10,300 MT of refined sugar and 59,250 MT of sugar-containing products.²¹ Canada is to continue to have access to the U.S. market beyond the set quota levels for sugar and products containing sugar, as applicable under the WTO rights and commitments of the two countries. If in a given year the U.S. WTO sugar quota is unfilled, the Secretary of Agriculture may allow additional sugar from Canada to enter duty-free. Canadian sugar and sugar-containing product imports over the set quota volume will be levied the higher tariff rates paid by other WTO members.

Modifications to Agricultural Trading Regime

Under USMCA, several key provisions will further expand Canadian and Mexican market access to U.S. agricultural producers.²² With the exception of the wheat grading provision agreed between Canada and the United States, the following provisions apply to all three countries:

- **Wheat.** Canada and the United States agreed to accord the same treatment to “like wheat of domestic origin with respect to the assignment of quality grades.”²³ Currently, U.S. wheat exports to Canada are graded as feed wheat, which generally commands a lower price. Under USMCA, U.S. wheat exports to Canada will receive the same treatment and price as equivalent Canadian wheat if there is a predetermination that the U.S. wheat variety is similar to a Canadian variety. Canada maintains a list of registered wheat varieties, but the United States does not have a similar list. U.S. wheat exporters first need to have U.S. varieties approved and registered in Canada before they would be able to benefit from this equivalency provision. According to some stakeholders, this process can be onerous and take several years.²⁴
- **Cotton.** The addition of a specific textile and apparel chapter to the proposed USMCA may support U.S. cotton production. The chapter promotes greater use of North American-origin textile products such as sewing thread, pocketing, narrow elastics, and coated fabrics for certain end items.
- **Spirits, wine, beer, and other alcoholic beverages.** Each country must treat the distribution of another USMCA country’s spirits, wine, beer, and other alcoholic beverages as it will its own products. The agreement establishes new rules governing the listing requirements for a product to be sold in a given country with specific limits on cost markups of alcoholic beverages imported from USMCA countries.
- **SPS provisions.** USMCA’s SPS chapter calls for greater transparency in SPS rules and regulatory alignment among the three countries. It is to establish a new mechanism for technical consultations to resolve SPS issues. SPS provisions provide for increasing transparency in the development and implementation of SPS measures; advancing science-based decision-making; improving processes for certification, regionalization and equivalency determinations; conducting

²¹ Ibid, Agreement on Agriculture, Chapter 3, Annex 3-A, Agricultural Trade Between Canada and the United States, Article 3.A.5. Sugar and Sugar Containing Products.

²² USTR, Agreement Between the United States of America, the United Mexican States, and Canada 7/1/20 Text, accessed October 2020, at <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between>.

²³ Ibid.

²⁴ William W. Wilson, “Canada-U.S. Wheat and Barley Trade,” Agriculture and Agri-food Canada, March 30, 2012.

systems-based audits; improving transparency for import checks; and promoting greater cooperation to enhance compatibility of regulatory measures.

Geographical indications (GIs).²⁵ The United States, Canada, and Mexico agreed to provide procedural safeguards for recognition of new GIs, which are place names used to identify products that come from certain regions or locations. USMCA provisions include guidelines to determine whether a term is a common name or a protected GI, grounds for opposition and cancellation of a GI, and treatment of GIs under third-party agreements. USMCA protects GIs for food products that Canada and Mexico have already agreed to in trade negotiations with the EU and lays out transparency and notification requirements for any new GIs that a country proposes to recognize.

In a side letter accompanying the agreement, Mexico confirmed a list of 33 terms for cheese that is to remain available as common names for U.S. cheese producers to use in exporting cheeses to Mexico. The list includes some terms that are protected as GIs by the EU, such as Edam, Gouda, and Brie.

USMCA provisions are to protect certain U.S., Canadian, and Mexican spirits as distinctive products. Under the proposed agreement, products labeled as Bourbon Whiskey and Tennessee Whiskey must originate in the United States. Similar protections are to exist in the United States and Mexico for Canadian Whiskey, while Tequila and Mezcal will have to be produced in Mexico. In a side letter accompanying the agreement, the United States and Mexico further agree to protect American Rye Whiskey, Charanda, Sotol, and Bacanora.

- **Protections for proprietary food formulas.** USMCA signatories agreed to protect the confidentiality of proprietary formula information in the same manner for domestic and imported products. The agreement also is to limit such information requirements to what is necessary to achieve legitimate objectives.
- **Biotechnology.** The agricultural chapter of USMCA lays out provisions for trade in products created using agricultural biotechnology, an issue that was not covered under NAFTA. USMCA provisions for biotechnology cover crops produced with all biotechnology methods, including recombinant DNA and gene editing. USMCA is to establish a Working Group for Cooperation on Agricultural Biotechnology to facilitate information exchange on policy and trade-related matters associated with the products of agricultural biotechnology. The agreement also outlines procedures to improve transparency in approving and bringing to market agricultural biotech products. It further outlines procedures for handling shipments containing a low-level presence of unapproved products.

While USMCA addresses a number of issues that restrict U.S. agricultural exports to Mexico and Canada, it does not include all of the changes sought by U.S. agricultural groups. For example, it does not include changes to trade remedy laws to address imports of seasonal produce as requested by Southeastern U.S. produce growers. It also does not address nontariff barriers to market access for U.S. fresh potatoes in Mexico²⁶ and Canada. Canada's Standard Container Law

²⁵ USTR, "Agreement Between the United States of America, the United Mexican States, and Canada" Legal Text, Intellectual Property Rights, Chapter 20, accessed October 2020, at <https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/20%20Intellectual%20Property%20Rights.pdf>.

²⁶ For more information, see CRS Report R44875, *The North American Free Trade Agreement (NAFTA) and U.S. Agriculture*, by Renée Johnson.

(part of the Fresh Fruits and Vegetable Regulations of the Canadian Agricultural Products Act) prohibits the imports of U.S. fresh potatoes in quantities over 50 kilograms.²⁷ USMCA also does not include provisions concerning trade in organic foods.²⁸

U.S. Agricultural Trade with Canada and Mexico

Agricultural trade within North America has increased substantially since the implementation of CUSTA and NAFTA and in the wake of Mexico's market-oriented agricultural reforms, which started in the 1980s (**Figure 2**). U.S. imports from Canada and Mexico jointly increased in nominal values from \$6 billion at the start of CUSTA in 1990 to \$8 billion at the start of NAFTA in 1994, reaching \$52 billion in 2019.

Likewise, the nominal value of total U.S. agricultural exports to Canada and Mexico rose from \$7 billion at the start of CUSTA in 1990 to \$10 billion at the start of NAFTA in 1994. It peaked at \$41 billion in 2014 and was \$40 billion in 2019. The lower value of exports since 2014 is partly due to a drought-related decline in livestock production in parts of the United States; increased Canadian production of corn, rapeseed, and soybeans; increased use of U.S. corn as ethanol feedstock; growth in U.S. export markets outside of NAFTA; and increased competition from countries outside of NAFTA.²⁹

From July 2018 to May 2019, U.S. exports of certain products to Canada and Mexico declined due to retaliatory tariffs imposed by these countries in response to the Trump Administration's application of a 25% tariff on U.S. steel imports and a 10% tariff on U.S. aluminum imports.³⁰ To facilitate the ratification of USMCA, the United States removed its tariffs on steel and aluminum imports from Canada and Mexico in May 2019, and these countries removed their retaliatory tariffs on imports of U.S. agricultural products.

U.S. agricultural trade with Canada and Mexico, which typically showed a small surplus prior to 2014, has moved into deficit since then, even as the United States maintains a surplus in overall agricultural trade. In 2019, the United States posted a \$12 billion deficit in agricultural trade with the other USMCA countries (**Figure 2**).

Since 2002, Canada has been the United States' top agricultural export market, accounting for about 15% of the total value of U.S. agricultural exports since 2015.³¹ Mexico was the second-largest export market until 2010, when China displaced Mexico in that ranking. U.S. exports to China were lower in 2018 and 2019 than in 2017, as a result of the imposition of retaliatory tariffs on U.S. agricultural imports by China in response to U.S. tariff increases on certain Chinese imports.³² In those years Mexico resumed its position as the second-largest importer of U.S. agricultural products.

²⁷ National Potato Council, "2019 National Trade Estimate Report on Foreign Trade Barriers," https://spudman.com/wp-content/uploads/2018/10/National_Potato_Council_-_2019_National_Trade_Estimate_Report_-_FINAL.pdf.

²⁸ CPTPP, Chapter 8, Technical Barriers to Trade, Annex 8-G Organic Products, <https://www.mfat.govt.nz/assets/TransPacific-Partnership/Text/8.-Technical-Barriers-to-Trade-Chapter.pdf>.

²⁹ Steven Zahniser et al., *NAFTA at 20: North America's Free-Trade Area and Its Impact on Agriculture*, USDA, ERS, WRS-15-01, February 2015.

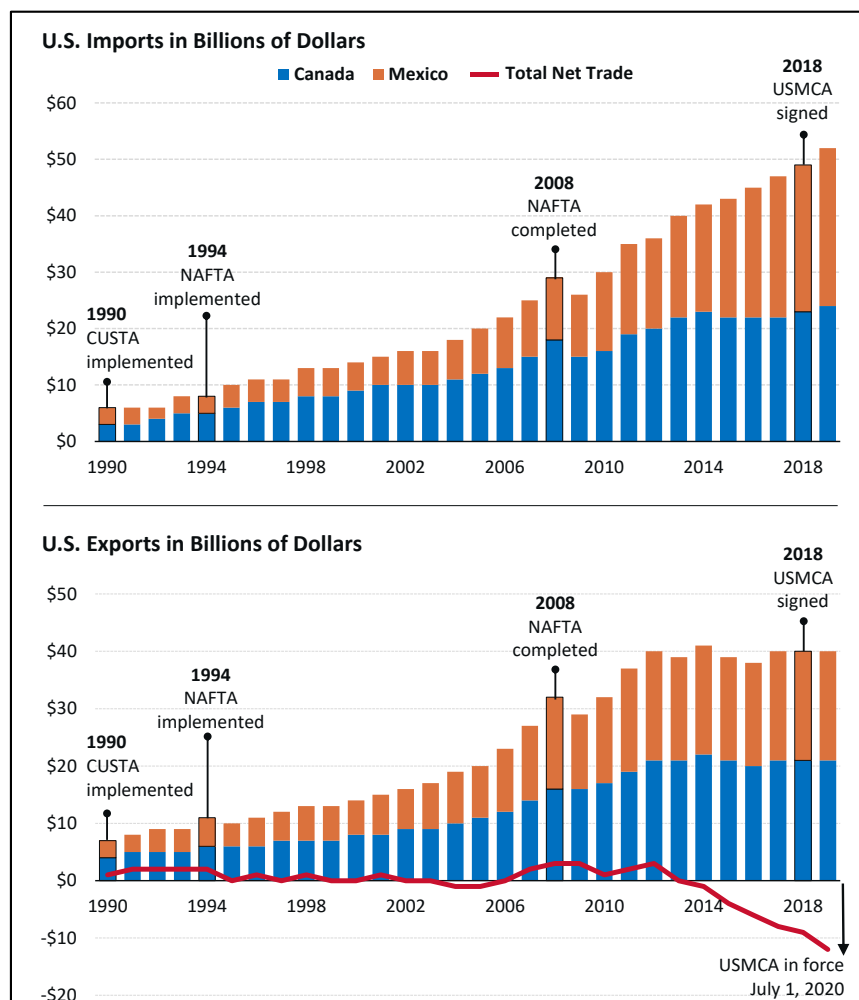
³⁰ See CRS Report R46242, *Major Agricultural Trade Issues in 2020*, coordinated by Anita Regmi.

³¹ Ibid.

³² See CRS Report R45929, *China's Retaliatory Tariffs on U.S. Agriculture: In Brief*, by Anita Regmi.

Figure 2. U.S. Agricultural Trade With Canada and Mexico

In Billions of U.S. Dollars, 1990-2019



Source: U.S. Census Bureau Trade Data, BICO-HS10, accessed October 2020, at <https://apps.fas.usda.gov/gats/ExpressQuery1.aspx>.

Notes: Net trade = U.S. exports of agricultural products to Canada and Mexico minus U.S. imports of agricultural products from those countries. Data are not adjusted for inflation.

U.S. Agricultural Exports to Canada and Mexico

Geographic proximity provides the United States with a competitive advantage in supplying fresh fruit, vegetables, and prepared food to Canada. Consumer-oriented food products, such as meats, dairy, fruit, vegetables and ready-to-eat products, therefore make up about 80% of all U.S. agricultural exports to Canada (Table 4).

Although U.S. exports to Canada have not grown in total value over the 2015-2019 period, Canada remains the United States' largest export market for many agricultural products (Table 4). Canada accounted for 24% of the value of total U.S. consumer-oriented food exports to all destinations in 2019.³³ The same year, Canada accounted for 74% of the total value of U.S. fresh

³³ CRS calculation based on U.S. Census Trade Statistics, accessed November 2020, at <https://apps.fas.usda.gov/gats/default.aspx>.

vegetable exports to all destinations, 51% of snack foods, and 34% of fresh fruit exports to all destinations. Canada is also an important market for bulk agricultural commodities, and Canadian imports of U.S. corn, soybeans, rice, pulses, and wheat increased significantly over the 2015-2019 period (**Table 4**).

Table 4. Major U.S. Agricultural Exports to Canada

In Millions of U.S. Dollars, 2015-2019

	2015	2016	2017	2018	2019	2015-2019 change
Total agriculture	20,989	20,307	20,608	20,867	20,886	0%
Total consumer-oriented	16,865	16,222	16,370	16,216	16,300	-3%
Prepared food	1,909	1,889	1,908	1,931	2,048	7%
Fresh vegetables	1,871	1,807	1,878	1,884	1,986	6%
Fresh fruit	1,649	1,633	1,608	1,533	1,485	-10%
Snack foods	1,332	1,315	1,355	1,407	1,393	5%
Pork & products	778	798	793	765	802	3%
Pet food	602	597	640	645	751	25%
Chocolate & cocoa products	725	749	748	713	713	-2%
Tree nuts	686	598	643	696	697	2%
Dairy products	554	630	637	641	667	20%
Beef & products	900	758	791	745	654	-27%
Poultry meat, excluding eggs	594	510	459	406	354	-40%
Eggs & products	184	98	102	121	99	-46%
Live animals	118	126	251	263	315	167%
Corn	212	146	131	309	349	65%
Rice	160	148	148	175	194	21%
Soybeans	80	106	145	269	181	126%
Pulses	54	101	130	62	105	94%
Wheat	14	18	17	21	37	164%

Source: U.S. Census Bureau Trade Data, BICO-10 groupings, accessed via FAS. USDA, October 2020, at <https://apps.fas.usda.gov/gats/ExpressQuery1.aspx>.

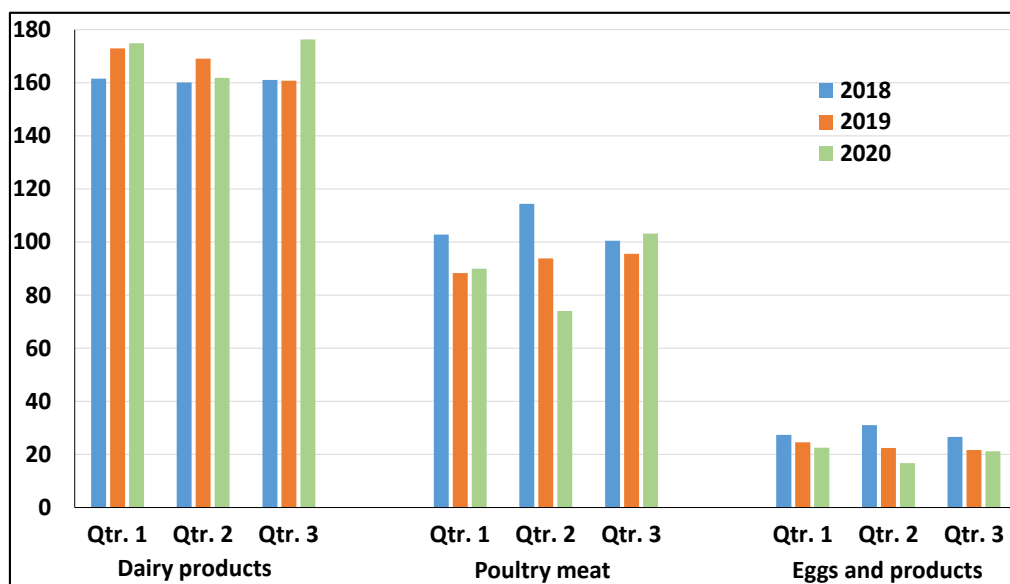
Notes: Data are not adjusted for inflation. As defined by USDA, *consumer-oriented products* includes meats, fruit, vegetables, processed food products, beverages, and pet food. Selected groupings presented; entries do not sum to total.

U.S. dairy exports to Canada increased 20% from 2015 to 2019, but the exports of U.S. poultry meat and eggs declined over 40% during this period (**Table 4**).

In the first calendar quarter after USMCA entered into force in July 2020, U.S. poultry meat exports to Canada were 8% higher than during the same quarter of 2019 and 3% higher than the same quarter of 2018 (**Figure 3**). U.S. dairy exports to Canada in the third quarter of 2020 were 10% higher than in the year-earlier quarter and 9% above the corresponding quarter of 2018. Although USMCA has expanded access for U.S. eggs and egg products, U.S. exports of these products to Canada have not increased compared to the previous two years.

Figure 3. U.S. Dairy and Poultry Product Exports To Canada

In Millions of Dollars, First 3 Quarters Of 2018-2020



Source: U.S. Census Bureau Trade Data, BICO-10 groupings, accessed via FAS. USDA, November 2020, at <https://apps.fas.usda.gov/gats/ExpressQuery1.aspx>.

Note: Qtr. = quarter.

Mexico has accounted for about 13%-14% of the total value of U.S. agricultural exports since 2015. Geographic proximity, growing population, and an expanding economy have increased Mexico's import demand for consumer-oriented food products like dairy, meats, prepared foods, fruit, vegetables, and other ready-to-eat food products as well as for pet food. An expanding domestic livestock sector has also increased Mexico's import demand for U.S. feed grains, soybeans, and other feed and fodders. U.S. agricultural exports to Mexico have thus increased during 2015-2019 period for both bulk commodities and for consumer-oriented high-value products (**Table 5**.)

Consumer-oriented products as a group account for a significant share of U.S. exports to Mexico, and 13% of the total value of exports of this category to all destinations in 2019. This includes 26% of dairy exports, 25% of poultry exports, and 18% of pork exports to all foreign markets.³⁴

During the first three quarters of 2020 (January-August), U.S. exports to Mexico were down 8% in value (\$12.96 billion), year-on-year, compared to 2019 (\$14.08 billion). A market analysis report points out that Mexico faced difficulties in transportation and logistics with the outbreak of COVID-19, particularly with regard to a shortage of refrigerated containers,³⁵ which would have affected trade in perishable consumer-oriented food products.

³⁴ Ibid.

³⁵ Tridge, *COVID-19 Market Report: Impact of the Coronavirus on Global Agricultural Trade*, March 31, 2020, at <https://cdn.tridge.com/reports/covid19-market-report-v2.pdf>.

Table 5. Major U.S. Agricultural Exports to Mexico

In Millions of U.S. Dollars, 2015-2019

	2015	2016	2017	2018	2019	2015-2019 change
Total agriculture	17,695	17,827	18,598	19,090	19,179	8%
Total consumer-oriented	8,378	8,051	8,341	8,590	8,962	7%
Dairy products	1,280	1,218	1,312	1,398	1,546	21%
Pork & products	1,268	1,360	1,514	1,311	1,278	1%
Beef & products	1,092	977	979	1,058	1,107	1%
Poultry meat, excluding eggs	1,029	931	933	956	1,077	5%
Prepared food	705	710	678	743	777	10%
Fresh fruit	560	501	570	619	610	9%
Tree nuts	269	253	256	371	343	28%
Condiments & sauces	218	221	214	215	243	11%
Snack foods	293	296	283	320	342	17%
Fresh vegetables	123	101	134	141	193	57%
Processed fruit	119	112	120	126	135	13%
Nonalcoholic beverages	137	116	139	123	149	9%
Pet food	67	77	85	90	103	54%
Corn	2,302	2,550	2,645	3,061	2,730	19%
Soybeans	1,432	1,462	1,574	1,818	1,878	31%
Wheat	651	612	852	662	812	25%
Feeds & fodders	146	154	158	184	229	57%
Coarse grains, excluding corn	78	132	79	39	132	69%

Source: U.S. Census Bureau Trade Data, BICO-10 groupings, accessed via FAS. USDA, October 2020, at <https://apps.fas.usda.gov/gats/ExpressQuery1.aspx>.

Notes: Data are not adjusted for inflation. As defined by USDA, *consumer-oriented products* includes meats, fruit, vegetables, processed food products, beverages, and pet food. Selected groupings presented; entries do not sum to total.

U.S. Imports from Canada and Mexico

Canada and Mexico are the top two sources of U.S. agricultural imports, and jointly provided 40% of the \$131 billion of U.S. agricultural imports from all sources in 2019.³⁶

U.S. Imports from Canada

Since 2016, Canada has been the second-largest supplier of agricultural products to the United States, accounting for around 18% of the total value of U.S. imports of these products. About two-thirds of all agricultural imports from Canada are consumer-oriented products (**Table 6**).

³⁶ U.S. Census Bureau Trade Data, BICO-6 groupings, accessed via FAS. USDA, October 2020, at <https://apps.fas.usda.gov/gats/ExpressQuery1.aspx>.

Table 6. Major U.S. Agricultural Imports from Canada

In Millions of U.S. Dollars, 2015-2019

	2015	2016	2017	2018	2019	2015-2019 change
Total agriculture	21,821	21,526	22,309	23,035	23,612	8%
Total consumer-oriented	13,023	13,390	14,115	14,881	15,669	20%
Snack foods	3,733	4,015	4,192	4,541	4,815	29%
Red meats, fresh/frozen/chilled	2,253	2,217	2,273	2,301	2,444	8%
Processed fruit & vegetables	1,421	1,444	1,496	1,611	1,629	15%
Fresh vegetables	1,207	1,311	1,414	1,520	1,620	34%
Wine and beer	201	184	190	209	246	22%
Other dairy products	124	141	184	186	216	74%
Other fresh fruit	241	225	224	238	203	-16%
Red meats, prepared	124	144	156	173	188	52%
Tree nuts	88	82	97	99	96	9%
Cheese	29	31	32	36	36	24%
Other vegetable oils	1,563	1,812	1,984	1,771	1,790	15%
Nursery products	332	352	374	409	462	39%
Feeds & fodders	326	312	308	347	355	9%
Sugars & sweeteners	367	365	266	279	309	-16%
Live animals	1,799	1,482	1,298	1,199	1,366	-24%
Wheat	689	412	685	782	416	-40%
Teas	90	92	97	86	98	9%
Essential oils	78	89	113	88	74	-5%

Source: U.S. Census Bureau Trade Data, BICO-6 groupings, accessed via FAS. USDA, October 2020, at <https://apps.fas.usda.gov/gats/ExpressQuery1.aspx>.

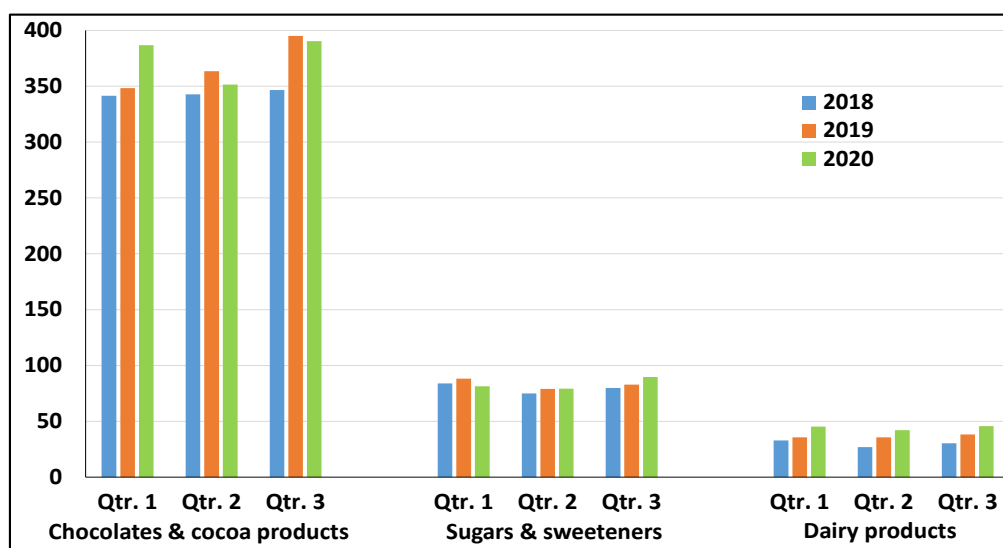
Notes: Data are not adjusted for inflation. As defined by USDA, *consumer-oriented products* includes meats, fruit, vegetables, processed food products, beverages, and pet food. Selected groupings presented; entries do not sum to total.

Major consumer-oriented U.S. imports from Canada include snack foods, meats, processed fruit and vegetables, and various dairy products. The United States imports feeder cattle (less than one year old) from Mexico and Canada, which are finished and slaughtered in the United States. A drought-related decline in livestock production in the United States and increased production of corn, rapeseed, and soybeans in Canada, along with prevailing hog cycle dynamics in the three countries, have affected live animal trade patterns, contributing to a decline in U.S. imports of Canadian livestock.

Under USMCA, the United States is phasing out tariffs on peanuts, peanut butter, and cotton from Canada. The United States has generally not imported notable volumes of peanuts or cotton from Canada. Imports of peanut butter from Canada were higher for both the second and the third quarters of 2020 compared to the same period during the previous two years. The total value of U.S. peanut butter imports for the January-September period was \$51.67 million in 2020 compared to \$45.84 million during the same period of 2019 and \$43.28 million in 2018.

Under USMCA, the United States has also expanded TRQ access for Canadian dairy, sugar, and sugar-containing products. The value of U.S. imports of chocolates and cocoa products did not increase during the third quarter of 2020 compared year-on-year to the value of imports during the previous two years (**Figure 4**).³⁷ In the first quarter after USMCA took effect, U.S. imports of sugar and sweeteners, at \$89.69 million, were 9% higher than during the same quarter of 2019 and 12% above the compared quarter of 2018. Compared year-on-year for the same period, U.S. imports of dairy products from Canada, at \$45.60 million, increased 24% (\$38.24 million) from 2019 and 51% (\$30.3 million) from 2018.

Figure 4. U.S. Imports of Canadian Dairy, Sugar, and Sugar-Containing Products
In Millions of Dollars, First 3 Quarters Of 2018-2020



Source: U.S. Census Bureau Trade Data, BICO-10 groupings, accessed via FAS. USDA, November 2020, at <https://apps.fas.usda.gov/gats/ExpressQuery1.aspx>.

Note: Qtr. = quarter.

U.S. Imports from Mexico

Since 2016, Mexico has been the largest supplier of agricultural products to the United States, accounting for a fifth of the total value of U.S. agricultural imports.³⁸ About 90% of all Mexican imports to the United States are consumer-oriented food products, such as fresh fruit and vegetables, processed fruit and vegetables, meats, dairy products, and wine and beer (**Table 7**). With the exception of live animals, sugar, and unroasted coffee, the import value of all other major food categories increased notably from 2015 to 2019. While USMCA does not change market access for imports from Mexico, the trend of increased imports from Mexico is likely to continue as a consequence of harmonization of nontariff measures.

³⁷ The chocolates and cocoa product category may include products beyond those covered by the USMCA tariff-rate quota. Under NAFTA, the United States did not have any quota restrictions on Canadian imports containing less than 10% sugar by weight.

³⁸ U.S. Census Bureau Trade Data, BICO-6 groupings, accessed via FAS. USDA, October 2020, at <https://apps.fas.usda.gov/gats/ExpressQuery1.aspx>.

Table 7. Major U.S. Agricultural Imports from Mexico

In Millions of U.S. Dollars, 2015-2019

	2015	2016	2017	2018	2019	2015-2019 change
Total agriculture	21,034	22,944	24,568	25,941	28,301	35%
Total consumer-oriented	18,415	20,788	22,261	23,429	25,866	40%
Other fresh fruit	4,280	4,939	5,962	5,824	6,933	62%
Fresh vegetables	4,838	5,598	5,472	5,871	6,288	30%
Wine and beer	2,727	3,098	3,321	3,601	3,953	45%
Snack foods	1,716	2,010	2,109	2,196	2,346	37%
Processed fruit & vegetables	1,455	1,526	1,546	1,715	1,842	27%
Red meats, fresh/frozen/chilled	1,071	1,089	1,110	1,200	1,373	28%
Tree nuts	454	608	599	764	730	61%
Fruit & vegetable Juices	302	335	484	445	419	39%
Bananas and plantains	134	127	168	205	215	60%
Other dairy products	97	109	100	123	159	64%
Prepared red meats	18	18	18	21	26	44%
Spices	82	83	86	102	110	34%
Nursery products	50	50	55	58	63	26%
Live animals	888	589	726	841	886	0%
Other vegetable oils	119	136	143	187	193	62%
Feeds & fodders	20	15	15	20	24	20%
Raw beet & cane sugar	405	344	347	445	398	-2%
Coffee, unroasted	200	144	183	192	156	-22%

Source: U.S. Census Bureau Trade Data, BICO-6 groupings, accessed via FAS. USDA, November 2020, at <https://apps.fas.usda.gov/gats/ExpressQuery1.aspx>.

Notes: Data are not adjusted for inflation. As defined by USDA, *consumer-oriented products* includes meats, fruit, vegetables, processed food products, beverages, and pet food. Selected groupings presented; entries do not sum to total.

USMCA's Potential Trade Effects Beyond NAFTA

Many stakeholders have credited NAFTA with facilitating agricultural trade in North America by reducing tariffs and other market access barriers and by providing a stable and improved trading environment in the region.³⁹ Studies conducted to estimate the incremental effect of USMCA indicate modest increases to regional trade in North America. For example, a study commissioned by the Farm Foundation estimated that USMCA would generate a net increase in annual U.S. agricultural exports to Canada of \$450 million—about 1% of U.S. agricultural exports under

³⁹ For more information see CRS Report R44875, *The North American Free Trade Agreement (NAFTA) and U.S. Agriculture*, by Renée Johnson.

NAFTA in 2017.⁴⁰ Similarly, the U.S. International Trade Commission (USITC) assessed that U.S. agricultural exports would likely increase 1.1% in year six of USMCA implementation compared to its 2017 baseline export levels.⁴¹ Another study, conducted by the International Monetary Fund, estimated small gains in regional trade from USMCA compared with NAFTA; with respect to agriculture, it found modest gains to the region, primarily benefiting Canada.⁴²

A study by economists at the University of Georgia says that USMCA may lead to losses for Georgia's small fruit and vegetable producers because of subsidized imports from Mexico.⁴³ The study was limited in scope and did not examine the broader impact of USMCA on other agricultural and nonagricultural sectors, other states, or the effects at the national level for the three USMCA signatories.

Issues for Congress

Congress has an interest in the implementation of USMCA because of its constitutional authority over foreign commerce and its long-standing involvement in U.S. farm policy.

Regarding market access, Congress may monitor Canada's implementation of its commitments regarding U.S. dairy products, poultry products, and eggs. Some Members of Congress have raised concerns that Canada's dairy TRQ allocation may not be consistent with its commitments under USMCA.⁴⁴

Congress may also monitor the implementation of the various nontariff provisions that the three countries agreed to under USMCA, such as assurances by Canada and Mexico that they will provide the same treatment to U.S. proprietary food formula and alcoholic beverages as they provide to their domestic products.⁴⁵ Some Members of Congress have raised concerns that Mexico has not taken actions to fulfill its commitments regarding improving access for U.S.

⁴⁰ Maksym Chepelie et al., "How Differing Trade Policies May Impact U.S. Agriculture: The Potential Economic Impacts of TPP, USMCA, and NAFTA," GTAP Working Paper, no. 84, commissioned by the Farm Foundation, October 2018, at https://www.gtap.agecon.purdue.edu/resources/working_papers.asp. This study uses the Global Trade Analysis (GTAP) model. For more on the GTAP global consortium, model, data, and publications, see <https://www.gtap.agecon.purdue.edu/>.

⁴¹ USITC, U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors, Publication Number: 4889, April 2019, <https://www.usitc.gov/publications/332/pub4889.pdf>.

⁴² Mary E. Burfisher, Frederic Lambert, and Troy Matheson, "NAFTA to USMCA: What is Gained?," IMF Working Paper, WP/19/73, March 2019. Note both the Farm Foundation and the IMF study use GTAP Computable-General-Equilibrium (CGE) model.

⁴³ Jeffrey H. Dorfman, Julian M. Worley, and Sharon P. Kane, "The Impact of the USMCA on Georgia's Small Fruit and Vegetable Industries," Policy Brief, April 22, 2019. The study uses the input-output modeling system, the Impact Analyses and Planning (IMPLAN) model. For more on IMPLAN, see David Mulkey and Alan W. Hodges, "Using IMPLAN to Assess The Local Economic Impacts," accessed October 2020, at <https://fred.ifas.ufl.edu/pdf/economic-impact-analysis/using-implan.pdf>.

⁴⁴ 29 Group of Senators letter to USDA Secretary Sonny Perdue and USTR Robert Lighthizer regarding enforcing Canada's dairy commitments and Mexico's common name commitment, August 25, 2020, at <https://www.smith.senate.gov/us-senators-tina-smith-mike-crapo-make-bipartisan-push-enforce-usmca-dairy-provisions;and-House-Ways-and-Means-Committee,-Trump-Administration-USMCA-Implementation-Report-Card>, November 2020, at <https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/Trump%20Admin%20USMCA%20Implementation%20Assessment%20.pdf>.

⁴⁵ Some U.S. alcoholic beverages are disadvantaged in retail stores in some Canadian provinces by being assigned less-prominent shelf spaces compared to Canadian products. For more on this issue, see the section on "Regulatory Requirements Regarding Retail Wine Sales in Canada," in CRS Report R46242, *Major Agricultural Trade Issues in 2020*, coordinated by Anita Regmi.

cheeses and agricultural biotechnology products⁴⁶ and that Canada is making insufficient progress toward a protocol to allow the registration of U.S. wheat varieties in Canada.⁴⁷

Efforts by the USMCA signatories to establish a coordinated approach for greater harmonization of SPS rules, rules governing trade in products created with agricultural biotechnology, and rules pertaining to geographical indications may also be of interest for congressional oversight. This subject has drawn the attention of some Members of Congress, who have suggested that USTR and USDA use the GI provisions in USMCA as a model for other trade agreements.⁴⁸

USMCA has also expanded access for Canadian peanut butter, dairy, sugar, and sugar-containing products to the United States. Congress may monitor how this improved access to the U.S. market affects U.S. producers in these sectors and the U.S. rural economy more broadly.

Congress may also use its oversight and legislative authority to address the effects of COVID-19 pandemic on greater integration of the North American market. The COVID-19 pandemic has placed unexpected stresses on food supply chains, with bottlenecks in farm labor, processing, transport, and logistics,⁴⁹ particularly in developing countries such as Mexico.⁵⁰ According to a report by a market intelligence company, Mexico has faced logistics and transportation difficulties including shortages of shipping containers,⁵¹ which could affect Mexico's ability to trade perishable and packaged food products with the United States.

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⁴⁶ Twenty-nine Senators letter to USDA Secretary Sonny Perdue and USTR Robert Lighthizer regarding enforcing Canada's dairy commitments and Mexico's common name commitment, August 25, 2020, at <https://www.smith.senate.gov/us-senators-tina-smith-mike-crapo-make-bipartisan-push-enforce-usmca-dairy-provisions>; and Senator Ron Wyden Letter to President Donald Trump, October 30, 2020, that states that Canada's tariff-rate quota regulations are not consistent with the USMCA text, and that Mexico has not yet translated its obligations to recognize certain common names of cheeses or approve U.S. biotechnology products as agreed under the USMCA.

⁴⁷ U.S. Senators Kevin Cramer, John Hoeven, Tina Smith, and Steve Daines letter to USTR Chief Agricultural Negotiator Gregg Doud, July 8, 2019, at <https://www.cramer.senate.gov/sen-cramer-colleagues-urge-ustr-address-grain-article-concerns-usmca>.

⁴⁸ One hundred eleven Members of Congress Letter to USTR Robert Lighthizer and USDA Secretary Sonny Perdue, Bipartisan Letter to Protect U.S. Food & Wine Exports Using Common Terms, November 2, 2020, at <https://www.nmpf.org/wp-content/uploads/2020/11/Letter-House-Common-Food-and-Wine-Terms-Letter-USTR-USDA-11.02.2020.pdf>. The letter states, "to draw upon the type of precedents and commitments established in the USMCA to further strengthen protections for U.S. producers by negotiating agricultural market access safeguards for products marketed using specific common food terms, traditional terms, or legitimate plant and grape varieties in all future U.S. trade negotiations, particularly those of importance to U.S. cheese, meat, and wine producers."

⁴⁹ OECD, "Food Supply Chains and COVID-19: Impacts and Policy Lessons," June 2, 2020.

⁵⁰ Piergiuseppe Fortunato, "How COVID-19 Is Changing Global Value Chains," United Nations Conference on Trade and Development, September 2, 2020.

⁵¹ TRIDGE, *COVID-19 Market Report: Impact of the Coronavirus on Global Agricultural Trade*, March 31, 2020, at <https://cdn.tridge.com/reports/covid19-market-report-v2.pdf>.

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