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Introductory comments:

Good morning/afternoon. Thank you for that kind introduction.

In 2014, I was here representing the U.S. government as its Secretary of Agriculture. I publicly stated back then that Mexico is an important strategic ally and a critical economic partner with the United States.

Some has changed since then, but, in a way, little has changed.

One change is a new administration in Washington with new ideas about trade policy. Another is that I am no longer representing our government, but the U.S. dairy industry as the president and CEO of the U.S. Dairy Export Council.

So what hasn't changed? Mexico remains a key strategic ally and a critical economic partner for the United States. The U.S. dairy industry highly values this partnership.

That is the theme of my address -- partnership.

Let me start with a few introductory statements about partnership and the U.S. dairy industry's partnership with you:

- **Partnerships should never be taken for granted.** I have been married to Christie for 43 years, and I don't take her for granted. In fact, I frequently try to tell her how much I appreciate her. Likewise, I'm standing here today to make it clear the U.S. dairy industry appreciates the Mexican farming community and the industry, and we don't take our partnership for granted. I'm going to repeat that a few times today, and I hope you don't get tired hearing it.
- **Partnerships are built on mutual respect.** Our dairy industry deeply respects the Mexican dairy industry. We feel the same thing from you. We want that to continue.
- **Partnerships must benefit both parties to stand the test of time.** They cannot be win-lose. They cannot be what economists call a zero-sum game. Lasting partnerships must be win-win. We don't want to just protect our mutually beneficial dairy partnership. We want to see it grow.

And please understand that our industry, together with most of the U.S. agricultural sector, is working hard to impress upon President Trump and his key advisers the importance of maintaining strong trade ties between our nations.

Whatever comes out of future trade negotiations with Mexico and Canada, there can be NO backtracking on the important achievements of NAFTA.

We have weighed in on this point with the new administration and with members of our Congress. For the sake of our continued partnership, we will continue to oppose any consideration of pre-NAFTA tariffs to the supply chain, whether it's on feed grains, high-value dairy ingredients or specialty cheeses.

I personally spoke about this with my [presumed] successor at USDA, Sonny Perdue – the incoming Secretary of Agriculture.

In short, our industry's message will continue to be, "First and foremost, do no harm!"

We have always seen Mexico as a partner first and a customer second. That's why we intend to continue working with you and your industry to expand dairy consumption in a way that benefits both countries.

We will continue to work with you to develop dairy products and ingredients for both countries in ways that benefit producers and processors. Our goal is not to displace Mexican products. It is to broaden overall demand for dairy in Mexico.

Dairy's applications are expanding on both sides of the border. Dairy is finding new homes in other food sectors, such as bakery and confectionery, snacks and desserts. But that's not all. Dairy is being used in non-food sectors, such as pharmaceuticals and of course in feeding animals.

Most importantly, the dairy industries of both Mexico and the United States have benefitted from NAFTA. Since 1994, Mexican milk production has increased by 58% which has helped meet the ever increasing demand of Mexican consumers and visitors to Mexico while at the same time continuing to provide market opportunities for American producers as well.

Together, we have grown consumption at a reasonable price for both the Mexican and U.S. consumer.

When NAFTA started, the United States was not a major supplier of dairy products to Mexico. Today, we complement your production as a major partner in supplying your industry and your consumers. What's remarkable is this increase over the years, hasn't prevented the Mexican dairy sector or the Mexican producer from growing. In fact, we have done what no other Mexican dairy partner has done – benefit both industries.

We have also worked hand-in-hand on other important issues.

For example, we jointly persuaded Mexican authorities that "mozzarella" and "parmesan" should not be protected as geographical indications in this country. We need to do more of that; we need to ensure that Mexican producers don't give up their rights to use common food names in exchange for gains favoring other sectors. Allowing GIs that restricted the use of those common cheese names would have given the EU exclusive rights to use those names. That would have been costly to both of us. Working together, we prevented harm to both our industries.

Mexico and the United States share more than a common border. We have interdependent economies. We share culture and gastronomy. The United States is the largest foreign investor in Mexico. It surprises some in my country that more than one million U.S. citizens live in Mexico. And that Mexico is the most common destination for U.S. tourists.

Most importantly for our dairy industries, we share markets and consumers, which are every day demanding better and healthier food products.

Trade has become extremely important to the U.S. dairy industry. The equivalent of one day's worth of U.S. milk production each week is now exported around the world.

And, again, Mexico has played an important role in growing together. This has happened because we have been careful to expand our exports in a way that benefits producers in both countries.

The U.S. Dairy Export Council was established one year after the approval of NAFTA with a mission of enhancing global demand for U.S. dairy products and ingredients.

In support of NAFTA, we suspended the Dairy Export Incentive Program in Mexico. That program was designed to compete with subsidized dairy exports from the European Union, and we felt it was appropriate to exclude it in our NAFTA-partner market. As a result, Mexico essentially became a subsidy-free zone for our exports.

NAFTA was also a catalyst for us to begin working with the Mexican dairy industry to expand the consumption of dairy products in Mexico.

Our mutual goal was to generate demand among Mexican consumers for dairy products as a high-quality source of protein. There is still room to grow here, since dairy consumption in Mexico remains below levels recommended by the Food and Agriculture Organization of the United Nations.

One of the U.S. Dairy Export Council's first goals was to establish a presence in Mexico. Rodrigo Fernandez who many of you know well, has been a long-time representative for the U.S. dairy sector here. The idea of dumping products when prices are low wasn't part of our strategy. Instead, we wanted to build the greater dairy market here in a mutually beneficial way. We're still working on that.

Let me give you a few examples ...

Between 1996 and 2002, USDEC carried out a dairy handling training course for employees of major Mexican retailers, including Walmart, Soriana, Chedraui, Calimax and Gigante. More than 90 seminars were held, training about 1,400 people. The result was to increase the shelf life of dairy products in small, medium and large stores.

USDEC continued this training program from 2004 to 2012 for Walmart, Chedraui, and Sam's Club, concentrating on store cheese managers and deli staff.

USDEC also carried out a research study on what we called Dairy Category Management. The results were presented to top executives of Mexico's National Association of Supermarkets and Department Stores, and helped increase floor and shelf space devoted to dairy and cheese products.

Since 1995, Master Chef Alejandro Kuri has also carried out 10 USDEC training seminars focused entirely on cheese. Why? Because we believe a Mexican consumer who enjoys U.S. cheese is also likely to consume Mexican-produced cheese. Again, we are about expanding the category, not cannibalizing cheese demand.

USDEC has conducted similar courses in Mexico's largest resort areas, increasing knowledge of dairy products in Mexican cuisine among chefs as well as those in culinary schools.

USDEC also arranged a meeting with leaders from Mexico's farmer groups and processors to explain the promotional work our parent organization, Dairy Management Inc., had been doing in the United States. We wanted the Mexican industry to determine if similar approaches might work here. These included programs such as "3-A-Day" and "Got Milk?"

As a result of these programs, since 2008, the Mexican Agriculture Department and Mexican dairy groups have had a continued campaign to "drink three glasses of milk per day."

We must keep working together to see how these and other U.S.-funded programs and research can expand dairy consumption in Mexico. I look forward to talking with your leadership and the Mexican government about how to build on this work and our relationship.

We know that Mexican producers have had some tough years recently, with the 2008 economic crisis, the massive drought of 2012 and the recent downturn in milk prices. We want to see your sector recover and make progress as we have seen in the past.

Mexican dairy exports are on the rise and the United States has been an important customer for those exports. Since the start of NAFTA, U.S. imports of Mexican dairy products have grown from \$11 million to \$127 million. Mexican dairy exports are also reaching other regional markets such as Central American countries.

Milk production in Mexico has gone up from 7.3 billion liters in 1994 to 11.6 billion liters last year. Likewise, dairy consumption has increased from 9.3 to 15.6 billion liters. Although most milk produced in Mexico is for drinking, that is also changing, with processed products gaining market shares. Production of cheese, yogurt, milk powder and dairy ingredients are all on the rise.

This is no doubt a reflection of changing consumer tastes. We think we played at least a modest role in bringing this about.

Still, as I said, there is plenty of room to grow. Mexico's population is increasing and per capita consumption of dairy remains lower than in many similarly sized countries.

Economic growth also plays an important part in consumption patterns for high-value food products, such as dairy. The past two years have been positive for Mexico in that respect and we hope that will continue.

It is incumbent of us to work jointly to expand the bridges between us that we have relied upon for so many years. To that end, last year the U.S. Dairy Export Council, together with the National Milk Producers of the United States, agreed with leading Mexican dairy organizations to grow our respective industries in size and profitability.

NAFTA has, for the most part, been a good deal for Mexico. Some in our country argue that this must mean it has been a bad deal for us. That isn't so. It ignores several important facts:

- Since the implementation of NAFTA, U.S. exports to Mexico have increased by \$185 billion, generating nearly 5 million U.S. jobs.
- Also, 40% of what the U.S. imports from Mexico is derived from U.S. sources. Twenty years ago that would have been less than 5%.

The reality is the development of supply chains across Canada, the United States and Mexico as a result of NAFTA has made manufacturing industries more efficient and competitive in all three countries.

Certainly, NAFTA has not been a bad agreement. That's not to say NAFTA is perfect.

NAFTA is 23 years old now and it could use a face lift. Subsequent U.S. free trade agreements have included stronger provisions in areas like sanitary and phytosanitary measures in agriculture, labor rights, the environment, regulatory coherence, intellectual property rights, services, investment and e-commerce.

Our industry is certainly open to exploring ways to preserve and strengthen NAFTA.

At the top of our list would be tackling Canadian dairy tariffs and nontariff barriers, which were challenges left largely unaddressed in the U.S.-Canada FTA even before NAFTA. In addition, improvements could be made in areas like geographical indications.

But even if those discussions prove challenging, withdrawing from NAFTA is not an alternative. At the same time, I believe Mexico needs to be smart about opening its market to other dairy suppliers that are more interested in spot sales than a long-term partnership.

U.S. dairy is hardly alone in taking this position. Most of the agricultural community is making similar points and, with a few exceptions, the business community is adamantly opposed to withdrawing from NAFTA.

Many members of Congress are listening and beginning to make their concerns known.

Improvements must not come at the expense of our current trade relationships or our continued bilateral cooperation in dairy.

One thing is certain. The U.S. dairy industry is fighting hard to ensure that NAFTA is here to stay. And we are committed to making our partnership with you continue for years to come.