

## **U.S. agriculture chief says NAFTA deal must end Canada's milk protein scheme**

[David Lawder](#)

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WASHINGTON (Reuters) - Canada must end its low-price milk proteins policy to reach a U.S.-Canadian deal to update the North American Free Trade Agreement, U.S. Agriculture Secretary Sonny Perdue said.

FILE PHOTO - U.S. Agriculture Secretary Sonny Perdue speaks to Dairy Farmers at Trinity Valley Dairy in Cortland, New York, U.S., August 23, 2018. REUTERS/Shannon Stapleton

Canada has encouraged overproduction and flooded export markets for milk proteins used in cheese and yogurt, hurting U.S. dairy farmers, Perdue said in an interview aired on Sunday on C-SPAN television.

“Our farmers don’t have access to the Canadian markets the way that they have access to us. Class 7 has to go. It can’t be renamed something or called something else,” Perdue said when asked about dairy concessions needed to reach a NAFTA deal, referring to a new milk class created last year by Canada to price milk ingredients such as protein concentrates, skim milk and whole milk powder.

FILE PHOTO: A dairy cow cleans her newly born calf on a dairy farm in Saint-Valerien-de-Milton, southeast of Montreal, Quebec, Canada, August 30, 2018. REUTERS/Christinne Muschi/File Photo

“It allowed them to export milk solids on the world market and below prices that cut into our opportunity for our dairy people to have access to that world market,” Perdue said.

Canada’s closed, \$16 billion dairy market is among the last sticking points in talks between U.S. Trade Representative Robert Lighthizer and Canadian Foreign Minister Chrystia Freeland, which broke up on Friday without a deal.

Talks are expected to resume after Lighthizer travels to Brussels for trade talks with European Union trade commissioner Cecilia Malmstrom on Monday.

A spokesman for Freeland could not immediately be reached for comment on Perdue’s remarks.

FILE PHOTO: Dairy cows are seen on a farm in Saint-Valerien-de-Milton, southeast of Montreal, Quebec, Canada, August 30, 2018. REUTERS/Christinne Muschi/File Photo

White House economic adviser Larry Kudlow last week said milk was the main issue standing in the way of a NAFTA deal.

In an interview with Canada's Global News network published on Sunday, Freeland declined to discuss specific issues in the talks and noted that Kudlow is "not at the negotiating table." Freeland added that to achieve a NAFTA deal, "It's going to take flexibility on all sides."

Freeland said on Friday she and Lighthizer were making "very good progress" in talks to save NAFTA amid increasing Canadian optimism that a deal can be reached. President Donald Trump has struck a trade deal with Mexico and threatened to push ahead without Canada, a move that would kill NAFTA, which covers \$1.2 trillion in trade between the three countries, and further spook financial markets.

Perdue said on C-SPAN that Lighthizer has been "very clear" about the need for the Class 7 pricing system to be repealed.

Asked if it would be gone from a NAFTA deal, he said, "I think it should be. I think it will be gone."

In April 2017, Trump nearly withdrew from NAFTA after becoming angered by the plight of Wisconsin dairy farmers whose milk protein exports to Canada had been cut off by the Class 7 pricing scheme. Trump decided to renegotiate NAFTA instead.

Reporting by David Lawder; Editing by Lisa Shumaker and Will Dunham