IDFA
International
Dairy Foods Association

Office of the U.S. Trade Representative
600 17th Street Northwest
Washington, D.C.

September 16, 2026

To Whom It May Concern:

I am writing to express concerns regarding the **European Union's (EU) Corporate Sustainability Due Diligence Directive (CSDDD)** and other cross-supply-chain regulatory measures, which are creating significant compliance challenges for U.S. dairy companies and their global business partners.

As you may know, the International Dairy Foods Association (IDFA) represents the nation's dairy manufacturing and marketing industry, which supports more than 3.05 million jobs that generate $52 billion in direct wages and $779.45 billion in overall economic impact. IDFA's diverse membership ranges from multinational organizations to single-plant companies, from dairy companies and cooperatives to food retailers and suppliers, all on the cutting edge of innovation and sustainable business practices. Together, they represent most of the milk, cheese, ice cream, yogurt and cultured products, and dairy ingredients produced and marketed in the United States and sold throughout the world.

U.S. dairy processors in IDFA's membership are seeing a significant increase in supply chain obligations that IDFA believes is directly connected to the EU's proposed implementation of the CSDDD. Through the extraterritorial application of these requirements, EU-based companies are increasingly imposing social audits and other due diligence obligations on U.S. companies that do not trade with the EU, as well as on global companies doing business with our members in the United States. These requirements can therefore affect U.S. businesses far beyond the jurisdictions in which the regulations apply, creating costly and complex obligations throughout our members' supply chains.

Historically, many large retailers have adopted the practice of requiring supply chain audits of their suppliers to ensure they were meeting their own corporate reporting goals for shareholders and consumers. Over time, these customer-required supply chain audits have become enshrined as an expectation of being a supplier to these retailers – an expectation that IDFA members have historically embraced as a basic part of doing business.

Recently, however, a disturbing trend has emerged wherein these audits are increasingly burdensome, lengthier, costly, and are being directly tied to compliance with the EU's CSDDD,

among other similar global due diligence-focused measures.[1] While IDFA members strongly support sustainable and responsible supply chains, the costs and frequency of these audits are now growing exponentially: some dairy processors report spending hundreds of thousands of dollars a year on these audit requirements, with costs increasing each year. Collectively across IDFA membership, we estimate such costs could easily reach an industry-wide impact of nearly **$30 million annually**. These costs equate to losses in profit that would be the equivalent of losing a major export market for U.S. dairy exporters.

Importantly, such costs are in addition to a wide range of concerns that the audits are not transparent, have no oversight, and are recurringly inconsistent with U.S. laws and regulations. IDFA and its members have collated a summary of concerns with the basic audit practices that are pervasive across U.S. dairy processors experiencing these customer- and CSDDD-required audits below for reference.

Summary of Concerns:

- **Audits fail to take U.S. regulatory system into account**: U.S. manufacturers already operate under extensive labor, safety, environmental, and wage and hour regulatory frameworks. U.S. dairy processing facilities are subject to Occupational Safety and Health Administration (OSHA) and federal and state Environmental Protection Agency (EPA) inspections and audits, among others, that address many of the same workplace safety and environmental topics reviewed during customer-required audits. When customer-required audit standards revisit areas already covered by established U.S. regulatory oversight, the result is duplicative review and additional administrative burden rather than identification of new compliance gaps.

- **Audits are not risk-based**: There are many layers of these audits which are not risk-based, nor are outcomes and penalties proportionate to findings. For example:
    - Audit frequency: Frequency is usually established by customer policy rather than actual site risk, compliance history, or regulatory environment. This creates complexity because many processing facilities serve multiple customers, each with its own audit cadence, timeline, and acceptance requirements.
    - Administrative findings: Within each audit, U.S. dairy processors report receiving findings for documentation format, terminology used, organization of policies on files, etc. – none of which have any relation to actual worker harm or legal non-compliance. In some cases, IDFA members report failing an audit solely for administrative findings, necessitating a follow-up audit which the auditor refused to conduct virtually, ensuring higher audit fees.

[1] See Appendix I.

- No-risk findings: Child labor remediation requirements may apply even where there exists neither the risk of child labor nor any evidence of compliance violation. Companies report negative audit findings for not maintaining detailed remediation policies even where all employees must be 18 or older, eligibility is verified, and child labor does not occur in operations.

Although the CSDDD dictates entities ensure their supply chains receive a risk assessment, there is realistically no objective risk-based guidance associated with CSDDD that clarifies how this should be accomplished or implemented. This will effectively enshrine current audit practices that are not based on risk and further expand them.

- **Inconsistency with U.S. laws, regulations, and union contracts create cyclical non-compliance findings and fees**: Because international labor standards prohibit "excessive" working hours, commonly defined as anything over 60 hours per week, U.S. processors that permit overtime exceeding 60 hours are found to be non-compliant, even when the presiding union agreement requires they do so or when the overtime was voluntary.[2] Further, these audits result in adverse impacts when customers use supplier audit scores commercially, meaning they may ultimately make supplier approval or disapproval decisions on the basis of erroneous non-compliance findings. The end consequence of this is that these social audits are ensuring international labor standards and European social policies create significant commercial consequences for U.S. dairy manufacturers.

- **Automatic re-audit model creates recurring auditor revenue and incentivizes continued non-compliance findings**: Non-compliance findings automatically trigger a re-audit and additional fees. By automatically requiring re-audits for findings of non-compliance that are chronic due to conflicts with U.S. rules, auditors experience significant financial gain by finding U.S. dairy processors in a state of non-compliance. This raises serious concerns about conflicts of interest, accountability, and the absence of measurable oversight.

- **Duplication of audits**: Some audit providers seek to offer bespoke audit services for each client's demands, supply chains, and geographies in an effort to serve as a single source for all audits. Over time, however, the audits have become duplicative and cumbersome, with customers and/or global regulation changes requiring changes in audit scopes, even when the same audit provider is chosen across multiple customers.

[2] Reference: https://www.ethicaltrade.org/eti-base-code; see Appendix II for example.

Worse, customers and global regulations frequently require different questionnaires, portals, scoring systems, and evidence submissions despite substantial overlap. This means one plant serving multiple customers may be subjected to multiple audits or duplicative submissions to satisfy each customer's and/or government's separate requirements. This also exponentially increases revenue generation opportunities for auditors when chronic non-compliance findings are multiplied across duplicative customers and providers.

- **Lack of transparency in audits and audit standards**: Companies report unclear, changing, and/or opaque audit criteria. Although they may be provided with an up-front set of audit standards prior to the audit being initiated, there is little to no information provided on the origin of the standards, whether they are being audited for compliance with international standards or European regulations, or any other origin to the standards provided. Auditors also provide limited visibility into how scores are assigned as the audit progresses, and U.S. dairy processors are even required to pay to access their audit reports, findings, and other detailed information regarding their own facilities. One such IDFA member estimates they spend $35,000 annually solely on costs associated with accessing their own audit reports and findings. Pay-to-play access to a facility's own audit report is completely contrary to both international guidelines for food safety-focused facility audits that are adhered to by 188 countries worldwide and U.S. regulatory practices.[3]

- **Audits conducted on standards frequently based on or connect to European policies**: Where a company may be selling to Europe, these audits are useful and trade-facilitative tools that help them meet existing market requirements. However, many of the underlying standards incorporated into social audits are based on European laws and principles, making them simultaneously not fit for purpose in the U.S. market, while also driving a pro-European policy agenda.

- **Audits discourage innovation, efficiency, and worker preferences**: Although virtual audits were used during COVID, companies report that customers generally no longer accept virtual audits or virtual follow-up audits, increasing scheduling burden, travel costs, and plant disruption. They further report being cited by auditors for use of electronic systems of documentation that are permitted and encouraged by U.S. regulators (such as OSHA's rules regarding electronic distribution of safety data sheets),

[3] Reference: CAC/GL 26-1997, Annex: https://www.fao.org/fao-who-codexalimentarius/sh-proxy/hu/?lnk=1&url=https%253A%252F%252Fworkspace.fao.org%252Fsites%252Fcodex%252FStandards%252FCXG%2B26-1997%252FCXG_026e.pdf.

and one company even was asked to construct new electronic data "kiosks" because the auditor felt existing access for electronic documents – even though it was fully compliant with U.S. laws and regulations – was insufficient to be compliant for this audit. Just this one example cost the company ~$15,000. Such outcomes discourage innovation and efficiency in the workplace, and frequently disregard worker preferences regarding the workplace environment, time worked, and the resources available to workers.[4]

As referenced in the above summary of audit concerns, the financial implications for these audits are significant; see Appendix III for an estimate of industry costs in fees, hours, and ancillary costs for each stage of the audit.

Ultimately, while the requirements of retailers on their customers is a private matter, the weaponization of these private audits by the EU's CSDDD is not. IDFA members have direct evidence from private auditors required by their customers that demonstrates their audits are being tied to the EU's requirements – even though they have no direct shipping to the EU. IDFA therefore believes that CSDDD exceeds the EU's authority and is an invasive policy that must be addressed by the U.S. government.

In light of the above, IDFA urgently asks USTR to engage in negotiations with the European Commission to exempt the United States and U.S. entities from its CSDDD requirements. We appreciate USTR's continued efforts to address these concerns and urge the Administration to make limiting the extraterritorial application of such regulations a priority in its engagement with the EU.

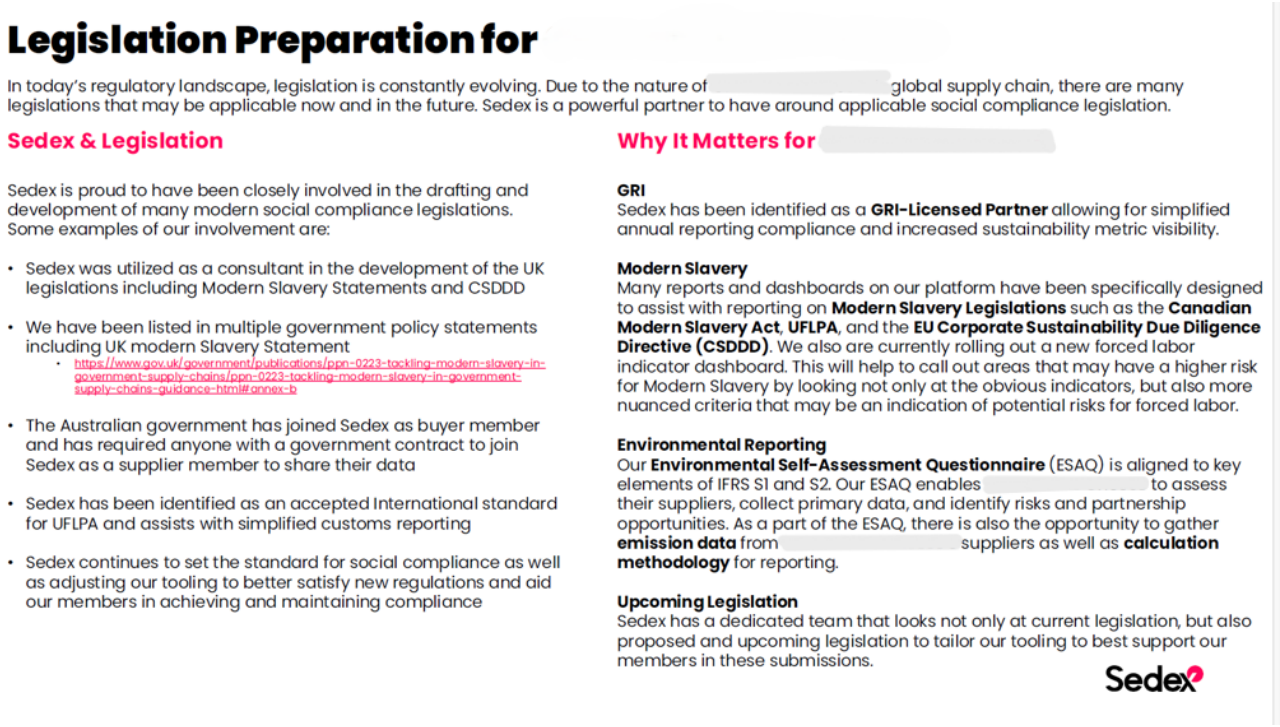
Sincerely,

Becky Rasdall Vargas
Senior Vice President, Trade and Workforce Policy
International Dairy Foods Association

[4] Reference: https://www.osha.gov/laws-regs/standardinterpretations/2013-05-13.

Appendix I

Redacted presentation from one customer-required auditor demonstrating their implementation of the EU's CSDDD requirements as part of their proposed Sedex Members Ethical Trade Audit (SMETA).



Legislation Preparation for

In today's regulatory landscape, legislation is constantly evolving. Due to the nature of global supply chain, there are many legislations that may be applicable now and in the future. Sedex is a powerful partner to have around applicable social compliance legislation.

Sedex & Legislation

Sedex is proud to have been closely involved in the drafting and development of many modern social compliance legislations. Some examples of our involvement are:

- Sedex was utilized as a consultant in the development of the UK legislations including Modern Slavery Statements and CSDDD
- We have been listed in multiple government policy statements including UK modern Slavery Statement
  - https://www.gov.uk/government/publications/ppn-0223-tackling-modern-slavery-in-government-supply-chains/ppn-0223-tackling-modern-slavery-in-government-supply-chains-guidance-html#annex-b
- The Australian government has joined Sedex as buyer member and has required anyone with a government contract to join Sedex as a supplier member to share their data
- Sedex has been identified as an accepted International standard for UFLPA and assists with simplified customs reporting
- Sedex continues to set the standard for social compliance as well as adjusting our tooling to better satisfy new regulations and aid our members in achieving and maintaining compliance

Why It Matters for

GRI
Sedex has been identified as a **GRI-Licensed Partner** allowing for simplified annual reporting compliance and increased sustainability metric visibility.

Modern Slavery
Many reports and dashboards on our platform have been specifically designed to assist with reporting on **Modern Slavery Legislations** such as the **Canadian Modern Slavery Act**, **UFLPA**, and the **EU Corporate Sustainability Due Diligence Directive (CSDDD)**. We also are currently rolling out a new forced labor indicator dashboard. This will help to call out areas that may have a higher risk for Modern Slavery by looking not only at the obvious indicators, but also more nuanced criteria that may be an indication of potential risks for forced labor.

Environmental Reporting
Our **Environmental Self-Assessment Questionnaire** (ESAQ) is aligned to key elements of IFRS S1 and S2. Our ESAQ enables to assess their suppliers, collect primary data, and identify risks and partnership opportunities. As a part of the ESAQ, there is also the opportunity to gather **emission data** from suppliers as well as **calculation methodology** for reporting.

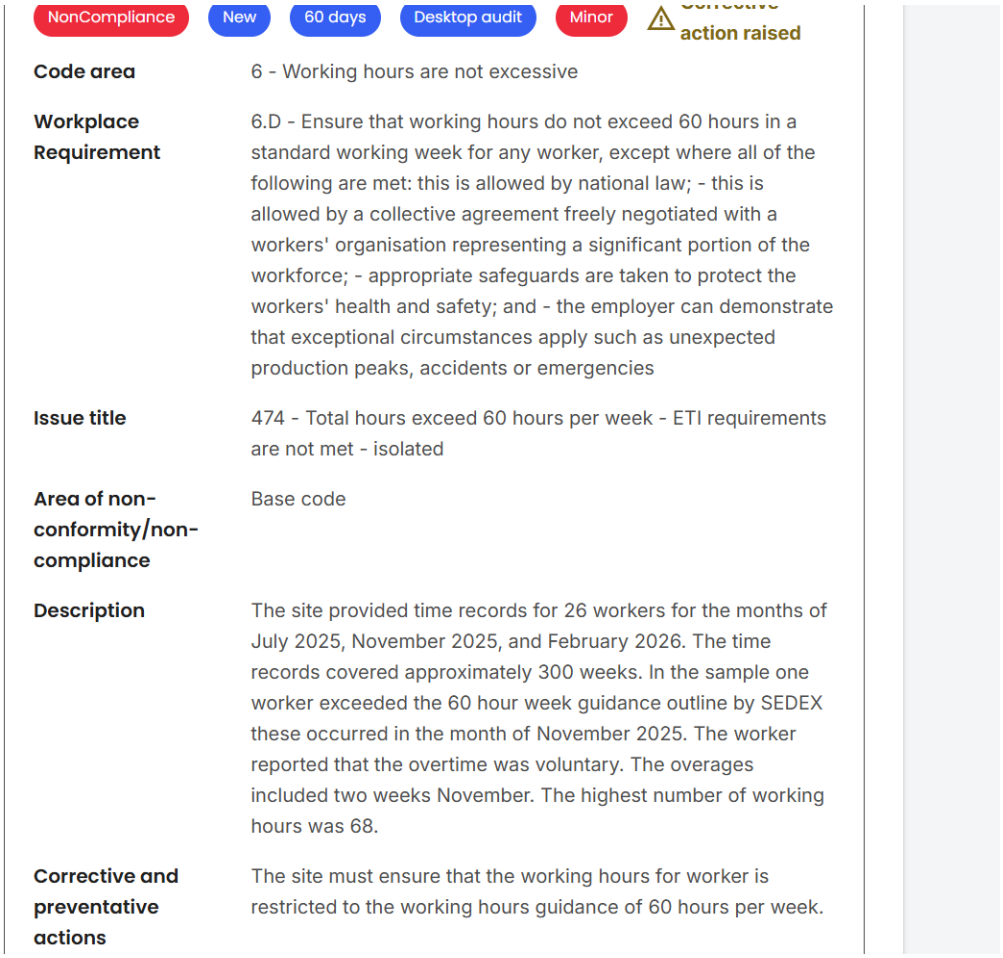
Upcoming Legislation
Sedex has a dedicated team that looks not only at current legislation, but also proposed and upcoming legislation to tailor our tooling to best support our members in these submissions.

Sedex

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Appendix II

Screenshot from one processor's reporting portal demonstrating a non-compliance finding for having allowed its employees to voluntarily work overtime.



NonCompliance | New | 60 days | Desktop audit | Minor | ⚠ action raised

Code area	6 - Working hours are not excessive
Workplace Requirement	6.D - Ensure that working hours do not exceed 60 hours in a standard working week for any worker, except where all of the following are met: this is allowed by national law; - this is allowed by a collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce; - appropriate safeguards are taken to protect the workers' health and safety; and - the employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies
Issue title	474 - Total hours exceed 60 hours per week - ETI requirements are not met - isolated
Area of non-conformity/non-compliance	Base code
Description	The site provided time records for 26 workers for the months of July 2025, November 2025, and February 2026. The time records covered approximately 300 weeks. In the sample one worker exceeded the 60 hour week guidance outline by SEDEX these occurred in the month of November 2025. The worker reported that the overtime was voluntary. The overages included two weeks November. The highest number of working hours was 68.
Corrective and preventative actions	The site must ensure that the working hours for worker is restricted to the working hours guidance of 60 hours per week.

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Appendix III

Summary of Estimated Costs and Hours

Cost / Time Category	Estimated Cost	Estimated Hours / Frequency	Notes
Initial audit	$3,500 to more than $15,000 per site; average estimate is ~$11,000	May be multiple times per year, annual, every 1–2 years, or every 3 years depending on customer and facility requirements; length varies but may be 3-4 days.	Costs are affected by plant size, headcount, 24/7 operations, number of auditors, auditor availability, and travel expenses. Some customers accept audits completed for other customers, while others require a specific platform or a separate audit, causing duplicative cost.
Preparation, worker interviews, and management interviews	Approximately $4,065	62.5 hours	Estimated using $65/hour total compensation. Interview requirements may include approximately 20% of the workforce, randomly selected across shifts.
Corrective action work	Approximately $3,000	40 hours	Estimated using $75/hour total compensation; varies significantly by number and type of findings.
Follow-up audit, if required	Approximately $4,000 average; other reported follow-up costs range from $3,500 to $9,000 per site	May be as many as 3 days in person or remote/"desktop" audit	Not every site completes a follow-up audit. Some customers no longer accept virtual follow-ups, increasing cost and disruption.
Total per-site audit cycle	Average $18,065 without follow-up audit; approximately $21,565 - $27,065 if follow-up is required	At least 102.5 estimated labor hours just for preparation, interviews, and corrective action work; excludes	Excludes production disruption, auditor travel and lodging, duplicate customer/platform audits, broader portal subscription costs, and administrative burden.

		operational stop time	
Portal and transparency fees	Examples include $600 per-site portal cost and $35,000 annual portal fee. Some companies report $100,000 annual cost for customer-audit visibility.	Annual or subscription-based	Portal fees may be separate from direct audit costs but are part of the broader SMETA compliance burden.
Operational stop time and production disruption	Not quantified	Not quantified; some audits last up to four days	Includes employees and managers pulled from production, supervisor or lead coverage for interviews, possible line shutdowns, and audits across multiple shifts.
Estimated industry-wide annual impact	Maximum estimate of **$28.8 million per year** (Max $27,665 per audit and follow up audit per site per year x 1,000 facilities) + (Estimated labor hours annually x average minimum wage $11.50)	Estimate x 1,000 dairy facilities: **102,500 estimated labor hours (~11 years) annually** across the sector, excluding operational stop time.	Represents an extrapolated industry-level estimate based annual audits and follow up audits at every dairy facility nationwide; actual impact may be higher if unquantified disruption, duplicate audits, and portal fees are fully counted.

Overall Industry Impact

- Initial audit costs generally range from **$3,500 to more than $15,000 per site**, with total audit-cycle costs estimated at **$21,500** per site or up to **$27,000** with follow-up audits, not including costs associated with production stoppages and lost revenue.

- One estimate identified at least **102.5 labor hours** per site for preparation, interviews, and corrective action. This excluded audit time, production disruption, line coverage, plant tours, and operational stop time.

- The annual impact is not easily estimated but may be as high as almost **$29 million** before actual costs of unquantified disruption, duplicate audits, portal fees, travel, and lost production time are included.