

## INTERNATIONAL TRADE: EUROPEAN UNION

The European Union (EU) is a vast market. The EU-28 has a population of more than 500 million and is the world's largest agricultural importer. Croatia acceded in 2013, and several additional countries are candidates for EU membership, including Turkey. The United Kingdom is in the process of leaving the EU, following the success of a June 2016 referendum.

U.S. meat and poultry access to this market is severely limited currently due to a number of controversial policies. Resolution of these issues would be a tremendous boon to U.S. exporters, as it would allow U.S. exports renewed access to several large meat-consuming nations. The European market could be very lucrative for U.S. exporters once some of the import barriers are eliminated.

In 2013, the U.S. and the EU initiated free trade negotiations under the Transatlantic Trade and Investment Partnership (T-TIP). These negotiations offer a substantial opportunity to resolve many of the longstanding agricultural trade barriers between the two markets. The negotiations have stalled in recent years.

### Beef Hormone Ban

For the past two decades, the EU has upheld a ban on all growth-promoting hormones in animals, despite a lack of scientific findings which would support the ban. In 1997, a panel established at the request of the United States under the dispute settlement procedures of the World Trade Organization (WTO) found that the European Union (EU) Hormone Directive violates WTO rules. The WTO's Appellate Body agreed with the panel's core conclusion – the EU directive is not based on a risk assessment and is, therefore, inconsistent with obligations made under the WTO rules. Subsequently, the WTO ruled that the EU ban deprives the U.S. of beef exports valued at \$116.8 million annually.

On November 8, 2004, The EU announced that it had filed a WTO case against the U.S. and Canada claiming that the two countries should remove retaliatory tariffs because the EU had carried out its risk assessments and was now in compliance with the WTO ruling. The EU pushed to replace the retaliatory tariffs with compensation under a non-hormone treated beef program, giving a higher quota for hormone free beef.

However, in October of 2008 it was affirmed by a WTO Appellate Body that the U.S. had the authority to retaliate against the hormone ban because no new evidence exists that suggests the use of hormones poses a human health risk. With this ruling, the Office of the United States Trade Representative (USTR) announced that it would begin making changes to the list of European products subject to increased tariffs, taking some products off the list, but adding others and the increased tariffs were to commence March 2009.

On May 13, 2009, a Memorandum of Understanding (MOU) was signed by the United States and the European Commission in the beef hormones dispute. The agreement provides U.S. producers

access, at zero duty, to the EU market for high-quality beef produced from cattle that have not been treated with growth-promoting hormones. The EU import quota was set at 20,000 tons in each of the first three years and increased to 48,200 tons in 2012, of which 45,000 is allocated to the U.S. During the first three years of the MOU, the U.S. maintained import duties applied to certain EU products, but did not impose any new duties that were to go into effect in March 2009.

The EU has granted approval for beef imports from New Zealand, Uruguay, and other countries under the same duty-free high quality beef quota (in addition to the U.S., Australia, and Canada as eligible beef exporting countries). The quota, as noted above, in one respect represents "compensation" to the U.S. for the beef hormone ban case, but inclusion of other eligible countries, per WTO most favored nation status trade rules, dilutes the opportunities in this market and the compensatory nature of the quota. U.S. industry is advocating for a "U.S. only" quota.

### Veterinary Equivalence Agreement

In April 1997, the United States and the EU agreed in principal to recognize as equivalent each other's veterinary inspection systems. The agreement was designed to yield access to the European market for poultry exporters and increase the number of U.S. plants with access to the European market. However, implementation has been delayed repeatedly, limiting meat and poultry exports.

### Non-Hormone Treated Cattle (NHTC) Program

One of the greatest frustrations expressed by the few U.S. firms approved for EU export is the inability to source cattle from ranches on the NHTC approved list. Many ranchers view the task of writing a compliant program including the cost and inherent audit requirements very skeptically. Costs associated with NHTC approval will vary by ranch. Ranches have reported costs in excess of \$3,200, not including over 100 hours to write the manual and 6 months to complete the process. This may not be significant to a producer with 2,000 head at \$1.60 per head, but the average U.S. beef operation consists of less than 75 head, costing over \$42 per head.

### Ban on Microbial Washes

The U.S. has taken a firm stance that it will try to reduce microbial counts and pathogen numbers in order to promote food safety. To accomplish this goal, most U.S. facilities utilize an anti-microbial wash of some kind. As the U.S. system is a HACCP-based system, in many cases, the anti-microbial wash is listed in a facility's HACCP plan as an intervention (demonstrating that this step reduces a hazard). U.S. facilities must turn these units off for EU production of carcasses and offal items, and then turn them back on for mainstream U.S. production. This creates many problems within the facilities. As

U.S. MEAT AND POULTRY EXPORTS TO THE EUROPEAN UNION

Export Product	Metric Tons			Value Thousand \$		
	Jan-Dec 2015	Jan-Dec 2016	% Chng	Jan-Dec 2015	Jan-Dec 2016	% Chng
Beef/Veal and Beef Variety Meats	24,288	23,497	-3%	305,832	244,852	-20%
Pork and Pork Products	4,374.60	3,648.20	-17%	21,384	16,778	-22%
Poultry and Poultry Variety Meats	30,079.40	4,470.90	-85%	34,217	7,354	-79%
Lamb/Mutton and Lamb Variety Meats	172	224	30%	774	1,889	144%

a result the risk of contamination greatly increases.

In 2013, just prior to the initiation of the T-TIP negotiations, the EU finally approved lactic acid as an anti-microbial treatment (AMT) for some beef products. However, lactic acid still may not be used in pork products, nor has the EU made any strides towards approving other common AMTs, such as hyper-chlorinated water for poultry products.

**HELPFUL LINKS**

**European Union**  
<http://www.europa.eu.int>

**Segregation**

According to EU export requirements, animals whose meat is intended for export shall be kept separate from meat from animals not eligible for export. These export requirements also address that rooms are to be cleaned and sanitized before processing meat for the EU. There should only be meat eligible for export to the EU in the processing room. Meat for the EU is labeled to distinguish it from meat eligible for export to other regions. At one facility this labeling requirement has been estimated to cost \$20,000 to change labels during production.

**Segregation of Employees and Employee Product Handling Procedures**

Employees working with EU eligible product, may not handle packaging material (boxes); thus, for every product line in some facilities, one extra employee must be used to open boxes, move boxes, etc. For example, if a company is going to produce five offal lines for the EU, five additional employees must be added at an estimated range of \$10.00 to \$11.00 per hour.

**Summary**

Full access to the European market remains a singular objective for U.S. exporters. Currently, only a handful of U.S. beef and pork plants are approved to export to the EU. However, the issue of approved anti-microbial methods still needs to be reconsidered if more U.S. plants are to be eligible to export to the EU. The T-TIP negotiations offer an excellent opportunity to address many of these issues.