



Brussels, 14 February 2018

Eucolait feedback on the modernisation of the EU-Chile FTA

Eucolait welcomes the opportunity to comment on the EU-Chile trading relationship for milk and dairy products in the context of the consultation on the modernisation of the current agreement. We also outline a number of suggestions for improvements which would enhance trade which we hope the Commission will take into account as the present negotiations with Chile progress.

Chile - profile and current dairy trade flows

Chile has a population of approximately 17.5 million and a relatively high GDP per person (ranking just inside the top 50 globally). It is a fairly mature market for dairy products. Per capita consumption of dairy in Chile is approximately 146 kg/annum (in milk equivalent, based on a 2015 US Department of Agriculture estimate).

In terms of EU exports, the main product with respect to volume is cheese (currently 80% of total EU dairy exports to Chile are cheese and of this, 90% is classified under 0406 90). Looking at the latest available statistics (January to October 2017), cheese exports have more than doubled in volume (8640 tonnes vs 17958 tonnes) and almost tripled in value (€23.29 million vs €60.5 million) when compared with the same ten month period of exports in 2016. A duty free tariff rate quota for EU cheese of 2625 tonnes annually currently applies. The out of quota duty is the MFN rate of 6%.

There are also exports of skimmed milk powder, whole milk powder and butter taking place (all at 6% MFN duty), however for SMP the US have a tariff advantage (FTA). This of course affects the attractiveness of EU product for the Chilean customer.

There are currently no dairy imports taking place into the EU from Chile.



Opportunities and challenges

Eucolait is of the view that there will continue to be opportunities for EU dairy exports to Chile, in particular if tariff disparities between the EU and competitors (e.g. US, Mercosur countries and Oceania once TPP enters into force) are reduced or eliminated. The Chilean economy is expected to grow, which will potentially fuel demand (albeit at a slower rate than in recent years: national economic growth is expected to be approximately 3% in 2018 and 2019). Eliminating tariffs would be a solid step towards ensuring that this growth can be picked up upon by EU exporters.

With respect to non-tariff barriers, EU exporters face some sanitary hurdles, in particular with the approval process of the Chilean authorities. It would be less burdensome for operators wishing to export to Chile if a system of **pre-listing of establishments** could be agreed. Therefore this would rank high on our list of priorities for the discussions to modernise the current EU-Chile agreement.

In terms of health certificates for exporting dairy products to Chile, it would help matters greatly if the requirements in the Chilean certificate could be aligned with those of the EU.

A so-called 'resolution for use and consumption' (RUC) needs to be issued by the Chilean health ministry before imports of any food products can take place. This can take up to 21 days to be issued, which can slow down import procedures considerably. This should also be addressed in the context of the ongoing talks.

Chilean standards for SMP are somewhat more stringent than that which is provided for in the Codex Alimentarius standard for SMP. In the Chilean standard, the maximum moisture content is stated as being 3.5%, whereas the Codex standard sets the threshold slightly higher at 4%. While this may seem to be a minor difference, every effort should be made to ensure that EU product is not disadvantaged on the Chilean market.

Conclusion

Eucolait is looking forward to seeing a better trading environment for dairy emerging from the current talks between the EU and Chile. We remain at your disposal should you have any questions or require any further information.