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## Eucolait position on the TTIP

Eucolait is a strong supporter of the TTIP negotiations and hopes for a successful and ambitious outcome for the dairy sector. From our perspective, the aim should be to create more frequent and more substantial reciprocal trade opportunities for a larger number of dairy products. The US is already a key market for EU dairy products (2<sup>nd</sup> in terms of value with exports worth € 1 billion per year), in particular cheeses, caseinates and milk protein concentrates. Imports from the US to the EU remain marginal.

We recognize the US and the EU are both net exporters of dairy products and major suppliers to the world market. We are however convinced that by enabling more arbitration between the two markets, whereby traders take advantage of temporary commodity price differences, more business opportunities will be created and increased price stability can be achieved on both sides of the Atlantic. The development of price risk management tools would also benefit from this. Furthermore, providing better access to both markets will stimulate innovation as it will improve the return on investment.

### 1. Market access – Tariffs and TRQs

A total removal or a significant reduction of tariffs on all dairy products allowing more substantial market arbitration between the EU and US is according to Eucolait the best way to achieve the goals of the TTIP, namely jobs and growth. It will make both the EU and the US more competitive and better prepared to supply the growing global demand for processed dairy products.

In this context, it is crucial to underline that dairy should no longer be considered a sensitive sector, as has been the automatic assumption during previous trade negotiations. Such an approach would prevent a meaningful outcome for dairy and dates from an era where EU prices were kept artificially high. The EU dairy sector is now fully competitive on the world market as exports are growing without the use of export refunds.

Trade liberalisation needs to take place on a level playing field. No side should enjoy a significant competitive advantage resulting for instance from the use of subsidies or unjustified non-tariff barriers.

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## 2. Non-Tariff-Barriers

A number of sanitary and technical barriers to trade need to be addressed so that the complete removal or significant lowering of tariffs can lead to real benefits. The importance of the regulatory aspects in these negotiations cannot be overstated.

### *Food Safety Rules*

Ideally, the TTIP would result in a mutual recognition of the two food safety systems as equivalent or comparable. Although there certainly are differences between the EU and the US model, the focus should be on dialogue and the outcome achieved by both systems. In addition, common rules should be adopted where feasible, based on existing international standards. It is also of utmost importance that an efficient dispute settlement mechanism that can rapidly tackle protectionist SPS barriers is set up.

The US food safety legislation is currently being overhauled and we see the Food Safety Modernisation Act (FSMA) as a step towards the EU model, as focus is being shifted from responding to contamination to preventing it. The negotiations should however ensure that no additional burdens arise from the implementation of the FSMA, notably from the foreign supplier verification programme or the rules on preventive controls.

Next to general food safety laws, many dairy products also have to comply with the 'Grade A' Pasteurised Milk Ordinance (PMO). This is the main sanitary barrier affecting EU dairy products as it is extremely difficult for European dairies to meet the prescriptive requirements of the PMO, let alone to receive the necessary certification. Equivalence between EU hygiene rules and the Grade A PMO needs to be part of any future deal on SPS issues.

### *Product standards*

Like food safety rules, any compulsory marketing standards should conform to international standards. This is not the case with the Standards of identity for milk and milk products that can be found in the Code of Federal Regulations.

### *Dairy Import Assessment*

The dairy import assessment programme which is part of the National Dairy Promotion and Research Order established a levy of 7,5 cents per hundred pounds of milk on imported dairy products. We consider taxing imported products to fund domestic promotion, from which the imports cannot benefit in the same way as domestic products, as unfair and incompatible with international trade rules.

## 3. Export subsidies

The export assistance programme of "Cooperatives Working Together", albeit a private initiative without government involvement, has the same distorting effect on markets as export refunds. According to the programme's website, CWT has helped to export 281 million pounds of cheese, butter, anhydrous milk fat, and whole milk powder to 56 countries on four continents – the equivalent of nearly 5 billion pounds of milk. We therefore ask the Commission to assess whether CWT is compatible with the future agreement and to what extent the US government could hinder the use of the levy funds for exports to the EU.