



Presentation at the TTIP stakeholder even on March 12th 2014

Eucolait, the European Association of Dairy Trade, is a strong supporter of the TTIP and considers these negotiations as a unique opportunity which should not be missed. **Our message is simple: we firmly believe that the agreement should result in a total abolition of all tariffs on dairy products.** The four key benefits of full liberalisation in the dairy sector will be: increased sales of added value EU dairy products (1), more price stability through reciprocal balancing trade (2), stimulating the development of more efficient price risk tools (3) and last but certainly not least, improving the overall competitiveness of the EU dairy sector (4).

1. First of all, a free transatlantic dairy market will lead to increased sales of European high added value dairy products. The US is already a key market for in particular cheeses, casein(ates) and milk protein concentrates with exports worth almost € 1 billion per year. A removal of tariffs would help us to further increase our exports of cheeses and other consumer products as well as high value ingredients to the US.

2. A free dairy market between the EU and the US will also bring **greater price stability** as trade will balance out any temporary price differences between the two markets by shipping dairy commodities from the lower to the higher priced market.

3. The third key benefit of full liberalisation would be the **development of more efficient price risk tools.** At present, dairy futures markets in the EU suffer from a lack of liquidity whereas the system is much more advanced in the United States, where price transparency is greater and higher volumes are being traded. Market participants would be able to hedge their risks more efficiently if they had access to the commodity derivatives markets on both sides of the Atlantic.

4. Finally, we believe removing tariff protection will also **improve the overall competitiveness of the EU dairy sector** by creating a larger joint market for dairy products with more than 800 million consumers. This will increase the number of business opportunities and stimulate innovation by improving the return on investment.

In this context, we would like to highlight that the EU is already successfully competing on the world market as more than 10% of its milk solids are being exported, accounting for

somewhere between 25% and 30% of global trade. All of this happens without the use of export refunds.

TBT/SPS

There are however also some obstacles to being able to benefit from full liberalisation. In order to ensure that the abolition of tariffs leads to a meaningful outcome, TBTs, in particular in the area of food safety, need to be tackled as well. On the US side, this means especially the Grade A PMO but also all legislation relating to the Food Safety Modernisation Act.

- **The grade A PMO** is currently restricting imports of certain fresh dairy products like yoghurts. It also prevents the use of European SMP or whey powder as ingredients in grade A products. Moreover, the scope of products covered by Grade A could be broadened any time. Grade A is already harming our exports today but its impact would be even bigger in a liberalised dairy market. Therefore, we request that the **EU food safety system be recognized as equivalent to Grade A** and we welcome the ongoing efforts of the Commission on this. Experience has shown that none of the other methods available to foreign establishments are workable as the costs for non-American plants to comply with all the prescriptive requirements of the Grade A PMO are simply too high.

- An outcome-based approach also needs to be followed when it comes to the **FSMA**. We consider that the application of EU food law guarantees a similar level of food safety as FSMA and its implementing rules. An agreement on “systems recognition” should therefore be part of the future TTIP deal. In this context, it also needs to be ensured that no restrictions apply to EU raw milk cheeses.

Conclusion

We are confident that a free dairy market between the US and the EU without unnecessary regulatory barriers will bring mutual benefits and generate jobs and growth by improving the competitiveness of the dairy sector, increasing sales of added value dairy products, reducing price volatility and stimulating the development of better price risk tools.