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Dairy market access and regulatory issues in TTIP

General considerations

Eucolait is a strong supporter of the TTIP negotiations and hopes for a successful and ambitious outcome for the dairy sector. Since the Russian embargo, the United States are the number 1 dairy export market for the EU, valued at over €1 billion in 2015. Cheese is by far the main product exported, followed by casein(ates) and butter. Imports from the US to the EU remain marginal.

We are convinced that EU exporters can benefit further from the growing demand in the US but this will only happen if existing tariff and non-tariff barriers are removed. Accordingly, Eucolait believes that TTIP should lead to a total elimination of all tariffs on dairy products, accompanied by a strong regulatory chapter guaranteeing a level playing field for both sides. This will promote EU exports of high value added products to the US and lead to more reciprocal balancing trade for dairy commodities, thus creating new business opportunities and enhancing price stability.

We recognize the US and the EU are both net exporters of dairy products and major suppliers to the world market. The EU dairy sector is however fully competitive and is expected to be the main contributor to the growth of global dairy trade over the next decade. A defensive approach preventing a meaningful outcome for dairy therefore seems outdated in this context. Improved access to the US market is all the more important in light of the recent conclusion of the Transpacific Partnership.

Non-tariff barriers

In order to create an environment in which trade can flourish, tariff liberalisation has to go hand in hand with the removal of undue regulatory barriers. On the US side, such barriers include notably the Grade A Pasteurized Milk Ordinance (PMO) and certain features of the Food Safety Modernisation Act (FSMA).

The Grade A PMO is essentially a regulation covering milk and fresh dairy products such as cream, yoghurt and cottage cheese, as well as dairy ingredients (e.g. milk powder) used in these products. Any dairy product covered by the Grade A PMO has to be made from raw milk from 'Grade A' farms and processed in a 'Grade A' dairy establishment. 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. Talks on equivalence between EU rules and 'Grade A' are currently ongoing but progress is slow, in part due to the overarching political context of the TTIP. Moreover, the US does not recognize the EU as a single entity, meaning that equivalence will – if at all - only be granted on a Member State by Member State basis. This is unacceptable given that US products can circulate freely throughout the EU once imported.

Next to the Grade A PMO, EU dairy products need to comply with the FSMA and its implementing rules, most of which are not yet applicable. While their exact impact remains to be seen, we are in particular concerned about the foreign supplier verification programme which places the responsibility for the safety of food imports on the importer and may lead to an increased burden on EU exporters and varying requirements depending on the customer in the US. We therefore support the ongoing negotiations aiming at mutual recognition of the EU and US food safety systems as guaranteeing a comparable level of food safety.