



Public consultation/ EU-US Regulatory Issues for possible future trade agreement

EUCOLAIT, the European Association of Dairy Trade, recognizes the importance of the US as a destination for EU dairy products. Annually, more \$1 billion of product is exported to the US market. Conversely, the US is a less significant supplier to the EU dairy market, with annual US dairy imports into the EU averaging slightly above \$100 million in the last few years.

EUCOLAIT welcomes moves to promote more trade and to improve the trade balance between these major trading partners. While acknowledging the role of tariffs and Tariff Rate Quotas in controlling trade flows, here we will focus on regulatory aspects which can create obstacles to realizing the full mutual benefits of increased market access through a Trade Agreement;

1. Dairy Import Assessment:

In order to promote a more open trading relationship between Europe and the US, EUCOLAIT wishes to see an end to the system of the Dairy Import Assessment (DIA). While it is commendable that the contribution required by the Dairy Import Assessment was halved in 2008, (from 15 cent to 7.5 cent per hundredweight of milk solids) dairy products imported from Europe to the US still accrue no benefit from the promotional standards for which they are assessed. The abolition of the DIA and an increased focus on equivalence, alignment and mutual recognition of standards between the US and the EU would create more competitive market conditions and a more equitable marketing environment, facilitating more frequent and more substantial trade flows between the EU and the US.

Under the scheme operating at present, 7.5 cent per hundredweight of imported cow's milk solids is contributed; 5 cent directly to the National Dairy Board and the remaining 2.5 cent towards promotional schemes such as the 'Real Seal', which is only available for domestically produced US products. Additionally, importers need to acquire documentation on the milk solid content of that which they import. This is considered particularly burdensome for US importers of specialty cheeses from the EU.

2. Grade A classification:

Grade A Pasteurised Milk Ordinance were devised as a means of addressing the risk of food borne illnesses resulting from the consumption of fresh, perishable dairy products. This applies to all dairy products that are classified as Class I or II under the Federal Milk Marketing Orders, i.e. liquid milk, cream (with the exclusion of frozen cream), cottage cheese, whey and sterilized products. Butter, cheese, frozen desserts, ice cream, infant formula and dietary products are excluded from Grade A classification. In addition, any dairy ingredient used in a Grade A product must comply with the standards set out in the Pasteurised Milk Ordinance.

EUCOLAIT aisbl

Avenue de Roodebeek 44 - B-1030 Brussels - Belgium

Tel. : 32 (0)2 230 44 48 - Fax : 32 (0)2 230 40 44

dairy.trade@eucolait.be - www.eucolait.be

BNP Paribas Fortis Bank : 210-0751020-01 - Avenue des Arts 45 - B-1040 Brussels IBAN : BE43 2100 7510 2001 SWIFT : GEBA BE BB

A challenge posed by Grade A requirements is that they are specifically geared towards the US system and do not take into consideration the merits of the systems operating in other states, i.e. some standards are specific to the US and completely ignore the value of other states' approaches to sanitary and phytosanitary measures. There are three different options, but the experience of the few European dairy companies that have pursued Grade A status confirms that the process is both highly cumbersome and expensive; It is only economically viable under very specific circumstances.

3. Food Safety Modernisation Act:

While there is no definite regulation in force in the US as of yet, participants in the legislative process should be mindful of the objectives of the EU-US Strategy for Jobs and Growth when finalizing the negotiation process. There is no indication as of yet of the potential indications for dairy, EUCOLAIT is concerned by any developments which could render trade in dairy more restrictive.

4. Farm Bill:

As with the Food Safety Modernisation Act, it is important that participants in the legislative process are be mindful of the objectives of the EU-US Strategy for Jobs and Growth and therefore do not introduce language into the Bill that could be harmful to trade in dairy products.