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February 1, 2012

Re: Request for public comments on the "U.S.-EU High Level Working Group on Jobs and Growth."

Docket No. USTR-2012-0001

The U.S. Meat Export Federation (USMEF) appreciates the opportunity to comment on the U.S.-EU High Level Working Group on Jobs and Growth.

USMEF is a nonprofit trade association that represents the U.S. beef, pork, and lamb industries through its network of offices and consultants in foreign markets. USMEF's membership encompasses a broad cross-section of American agriculture and includes farmers; meat packers, processors, purveyors and traders; selected agribusinesses with an interest in U.S. meat exports; and other agricultural organizations. In addition to the support USMEF receives from its broad membership base, USMEF also has a close working relationship with the United States Department of Agriculture as a longstanding partner of the Foreign Agricultural Service under the Foreign Market Development and Market Access Programs.

USMEF supports President Obama's initiative to join European Commission President Baroso and European Council President Van Rompuy to establish a High Level Working Group on Jobs and Growth. We see this project as having the potential to make significant progress toward removing many of the obstacles that currently stand in the way of achieving meaningful increases in beef and pork trade between the United States and the European Union. Removing these impediments would not only result in the creation of new jobs but would also contribute to economic growth on both sides of the Atlantic.

Tariffs and Tariff-rate Quotas

Today, U.S. beef and pork exports to the EU face prohibitively high tariffs, and the limited volumes of exports that do occur are confined to small tariff-rate quotas (TRQs) with relatively high in-quota tariffs. By comparison, the U.S. beef and pork markets are relatively open to imports from the EU and the rest of the world.

Duties on pork imported into the U.S. are zero for most products (all chilled/frozen unprocessed cuts) and range from 1.4 cents/kg to 6.4 percent on processed and prepared/preserved items, depending on the product. The EU has a complex set of TRQs and specific duties, which vary by cut, for both in and out-of-quota imports. The largest TRQ, for 35,265 mt of boneless hams and loins, has a duty of 250 euro/mt. Other TRQs are for smaller volumes and with significantly higher in-quota duties for certain cuts (ranging from 268 to 784 euro/mt). Out-of-quota imports pay 467 to 869 euro/mt, depending on the cut. Duties on prepared/preserved pork items are as high as 1,568 euro/mt.

For beef, the EU also maintains a complex set of TRQs, based partially on various "High Quality Beef" definitions. Duties on imports within the various TRQs are 20 percent ad valorem, with the exception of the quota established through the U.S.-EU Memorandum of Understanding. This HQB was established in August 2009 and opened a duty-free quota for 20,000 mt of beef meeting specific cattle ration and beef quality grading requirements. The U.S. was initially the only country approved to export under the new quota but the EU has now granted access to imports from Canada, Australia, New Zealand, and Uruguay that meet the definition. The EU also has a quota for frozen manufacturing beef, with a 20 percent duty.

EU imports of beef outside the quota system are subject to specific and ad valorem duties, with specific rates varying by cut from 1414 euro/mt to 3034 euro/mt plus an ad valorem of 12.8 percent. This compares to U.S. import duties of 4.4 cents/kg, 4 percent, or 10 percent, depending on the cut, for in-quota imports and 26.4 percent for out-of-quota imports. The U.S. has various quotas established through the Uruguay Round but both in and out-of-quota rates are significantly lower than those applied by the EU.

In the absence of these restrictive tariffs and TRQs the EU would be a very attractive market for U.S. beef and pork exports, but as the table below shows, trade volumes currently are extremely limited. In 2011 the EU imported 248,113 MT of beef or 4.6 percent of its total consumption. Most of these imports were low quality beef destined for the EU's processing sector, and imports from the U.S. were only 16,740, accounting for roughly seven percent of total EU beef imports. Last year the EU imported only 30,622 MT of pork, which accounted for less than one percent of consumption. Imports from the U.S. were only 2,250 MT or seven percent of total imports.

In 2011, the United States imported nearly three times as much beef as the EU (705,859 MT, accounting for eight percent of consumption), but none of these imports came from the EU. Due to incompatibilities between the U.S. and EU requirements for Bovine Spongiform Encephalopathy (BSE), the U.S. market remains closed to EU beef exports. Although the EU's export potential is limited, it is reasonable to think that in the absence of these BSE-related restrictions, the United States would import some beef from the EU. As part of a larger effort to reduce and where possible eliminate unneeded restrictions on bilateral trade with the EU, the U.S. government should make it a high priority to align its BSE requirements with those of the EU.

U.S. pork imports also far exceed pork imports in the EU. In 2011 the U.S. imported 365,476 MT of pork or over ten times the EU's total import volume. U.S. imports accounted for roughly 4.5 percent of consumption as compared to less than one percent of consumption in the EU. U.S. Imports from the EU were 60,858 MT or 17 percent of total U.S. pork imports.

PORK	2011est volume MT	2011 est value, thous USD
EU imports	30,622	\$ 85,140
Pct of cons	<1%	
Imports from U.S.	2,250	\$ 14,196
~Pct total imports	7%	17%
U.S. imports	365,476	\$ 1,317,296
Pct of cons	4.5%	
Imports from EU	60,858	\$ 334,743
~Pct total imports	17%	25%
BEEF	2011est volume MT	2011 est value, thous USD
EU imports	248,113	\$ 2,452,853
Pct of cons	4.6%	
Imports from U.S.	16,740	\$ 191,356
~Pct total imports	7%	8%
U.S. imports	705,859	\$ 3,264,235
Pct of cons	8%	
Imports from EU	107	\$ 195
~Pct total imports	0%	0%

It is difficult to estimate the economic impact of the EU eliminating its existing market access restrictions, but if the EU eliminated its tariffs on most pork imports putting it on a footing similar to the United States, it is reasonable to expect U.S. pork exports to the EU to increase significantly. If imports accounted for just two percent of EU pork consumption, the volume would exceed 300,000 MT (product weight basis) and would be nearly as large as U.S. pork muscle cut exports to Mexico in 2011. If EU pork imports reached 4.5 percent of consumption, matching the current level in the United States, import volume would approach 700,000 metric tons. At current trade values, that would mean additional exports of around \$2.0 billion annually, with the United States as the world's largest exporting country likely to capture a dominant share of the market.

EU beef consumption has declined from 17.14 kg/capita in 2007 to an estimated 15.5 kg/capita in 2011. If the EU lowered its import duties, the cost of beef would also be reduced, permitting an increase in EU beef consumption. If EU beef consumption recovered to 2007 levels, it would mean an increase of roughly 585,000 MT of beef (product weight). If the U.S. had access to the EU market, through for example, an expanded duty-free TRQ, U.S. exports would grow rapidly due to the greater affordability of U.S. beef. This is especially the case as EU consumers have begun to experience U.S. beef over the past couple of years and are discovering its superior quality and value.

Opportunities for Enhancing the Compatibility of Regulations and Standards

As noted above, the United States currently does not permit beef imports from the EU, and we strongly encourage the U.S. government to address this issue as expeditiously as possible. At the same time, the EU continues to maintain a number of non-science-based standards which serve as significant barriers to beef and pork imports. The EU's hormone ban stands out among these, but it is not the only sanitary requirement which restricts EU imports of U.S. beef. Another technical restriction is the EU's ban on pathogen reduction treatments. The U.S. industry utilizes PRTs to help enhance food safety, and outreach by USMEF suggests that the EU meat industry would also benefit from the use of PRTs. Approval of lactic acid, a commonly used PRT in the U.S. beef industry, would be a significant first step toward opening the EU market to more U.S. exporters. USMEF estimates that the value of filling the expanded 48,200 MT duty-free TRQ (second phase of the MOU, after the EU approves PRTs), could exceed \$450 million.

The EU also bans the use of beta agonists, including Ractopamine, thus U.S. pork exports must comply with the Pork for the EU export verification program. This adds to costs of production and requires segregation of product, etc. Additionally, the high cost of meeting EU technical and sanitary requirements has curbed the number of U.S. pork and beef plants willing to become EU-approved.

Finally, the EU's tendency to adopt ever more restrictive measures on animal welfare and other possible legislation such as that on the products of cloned animals are looming concerns for red meat trade.

As these examples demonstrate, aligning U.S. and EU sanitary measures wherever possible and consistently recognizing equivalent measures would significantly increase bilateral trade and contribute to increased economic growth and job creation.

Enhanced Cooperation for the Development of Rules and Principles on Global Issues of Common Concern and for the Achievement of Shared Economic Goals Relating to third Countries

As I have noted above, the EU continues to maintain a number non-science-based sanitary requirements which restrict trade. Several of these (the hormone and Ractopamine bans) stem from the EU's policy on growth-enhancing technologies. By prohibiting the use of safe production-enhancing technologies, the EU is discouraging European investment in research and development on the innovations that will permit the world to achieve global food security in coming generations. Moreover, by frustrating the international standard-setting process for these technologies, the EU is retarding the approval process in countries that lack the scientific expertise to reach their own decisions on whether to approve the use of these technologies.

The effect of the EU's policy is that at a time when the countries of the world are becoming increasingly concerned about their ability to feed their populations, the new technologies that will be critical to achieving global food security are not being developed and disseminated at the pace that is needed. Through enhanced cooperation and agreement on a shared vision, the United States and the EU can and should take the lead in of preventing a global food crisis in the future.

Thank you again for the opportunity to comment on the High Level Working Group, and I would be happy to answer any questions you have about the points I have raised above.

Sincerely,

A handwritten signature in black ink, appearing to read 'Philip M. Seng', with a stylized flourish at the end.

Philip M. Seng
President & CEO