



## EUROPE - NEWS SCAN

### EU-US Deal for Expanded Beef Access Causes Concern – 2009/07

In May 2009 European Union and American officials announced they had reached a provisional agreement to partly settle a long-running trade dispute over hormone-treated beef. Under the agreement, the EU will maintain its 21-year ban on imports of hormone treated beef, but create a new tariff-free import quota for high quality hormone-free beef. The memorandum of understanding provides for a staged increase in access to the EU beef market in exchange for a suspension of US duties against EU imports. The levies were threatened following World Trade Organization rulings that Europe's ban against hormone-treated beef violates WTO agreements.

In the first phase, the EU would open a new tariff-free import quota of 20,000 tonnes by August 03 2009. In exchange, the US would refrain from applying retaliatory duties it announced in January this year. In early 2011, the two sides would then have the option of proceeding to a second phase, under which the EU would expand the new quota to 45,000 tonnes, and the US would suspend all retaliatory duties related to the ban against hormone treated beef. Under a potential third phase, the EU would maintain the larger quota level, and the US would formally cease retaliation proceedings.

The EU's WTO obligations explicitly divide its import quota for high-quality beef among Australia, Argentina, Canada, Uruguay, and the United States. Under current legislation, introduced in August 2008, the European Commission sets out different rules for beef from different exporters to qualify as high quality beef. Thus, beef from Canada and the US must have been fed for 100 days with a diet comprising no less than 70 percent grain and comprising at least 20 pounds total feed per day; beef from Argentina, Uruguay, Brazil, New Zealand and Paraguay, on the other hand, has to be exclusively grass fed through pasture grazing.

A number of countries have expressed concern about the new agreement. At a June 19 meeting of the Dispute Settlement Body, Uruguay's Ambassador to the WTO argued that the agreement favors the US because the definition of high-quality beef requires cattle to be fed largely on a grain diet, rather than grass. According to the Ambassador, the new agreement will allow most of the new quota to go to the US, thereby allowing the US to significantly increase its market share of high quality beef imports. Other exporters, meanwhile, including Uruguay, would continue to face the 20% in quota tariff within the existing tariff rate quota.

In response, both the EU and the United States have countered that the new quota would be non-discriminatory and 'origin neutral', and would be available to any country that produces beef according to the requirements mandated by the new quota.

A spokesperson for the European Union Commission acknowledged that the definition in the new TRQ will be different from those in existing quotas, but that the legislation creating the new TRQ is not due to be adopted until August 03 2009, the deadline for the EU to open up a new 20,000-tonne duty-free quota for high-quality beef imports. The spokesperson expressed confidence that the legislation would not exclude non-US exporters.

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Alberta is the largest cattle producing province in the country, accounting for 40% of the national herd and nearly two-thirds of all beef processing. The anticipated change in access for grain-fed beef should be welcome news to Alberta producers, as it may provide the volume necessary to help offset the additional production costs associated with raising and slaughtering a hormone-free product.

Sources:

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"EU/US: Bilateral Beef Deal May Flout WTO Rules, Exporters Warn." *Europolitics Agriculture*, July 10 2009.

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