

European Union The Regulatory Landscape for Food Products

**Economic Research Service
Workshop**

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Food Products Association

**Scientific and technical trade association
for the food industry -- food safety and
security, processing, health and nutrition**

- **1907- The National Cannery Association**
- **1978 - National Food Processors Association**
- **2005 – Food Products Association**
 - Washington, Seattle, Bangkok
 - Food Safety Laboratories
 - 400 Member Companies

EU Regulatory Environment: Impact on the Food Industry

Presentation Overview

1. EU Market for U.S. High Value Food Products
2. Regulatory Trends
3. Examples of Existing Barriers
4. Issues on the Horizon
5. Industry Response

Processed Food In Trade

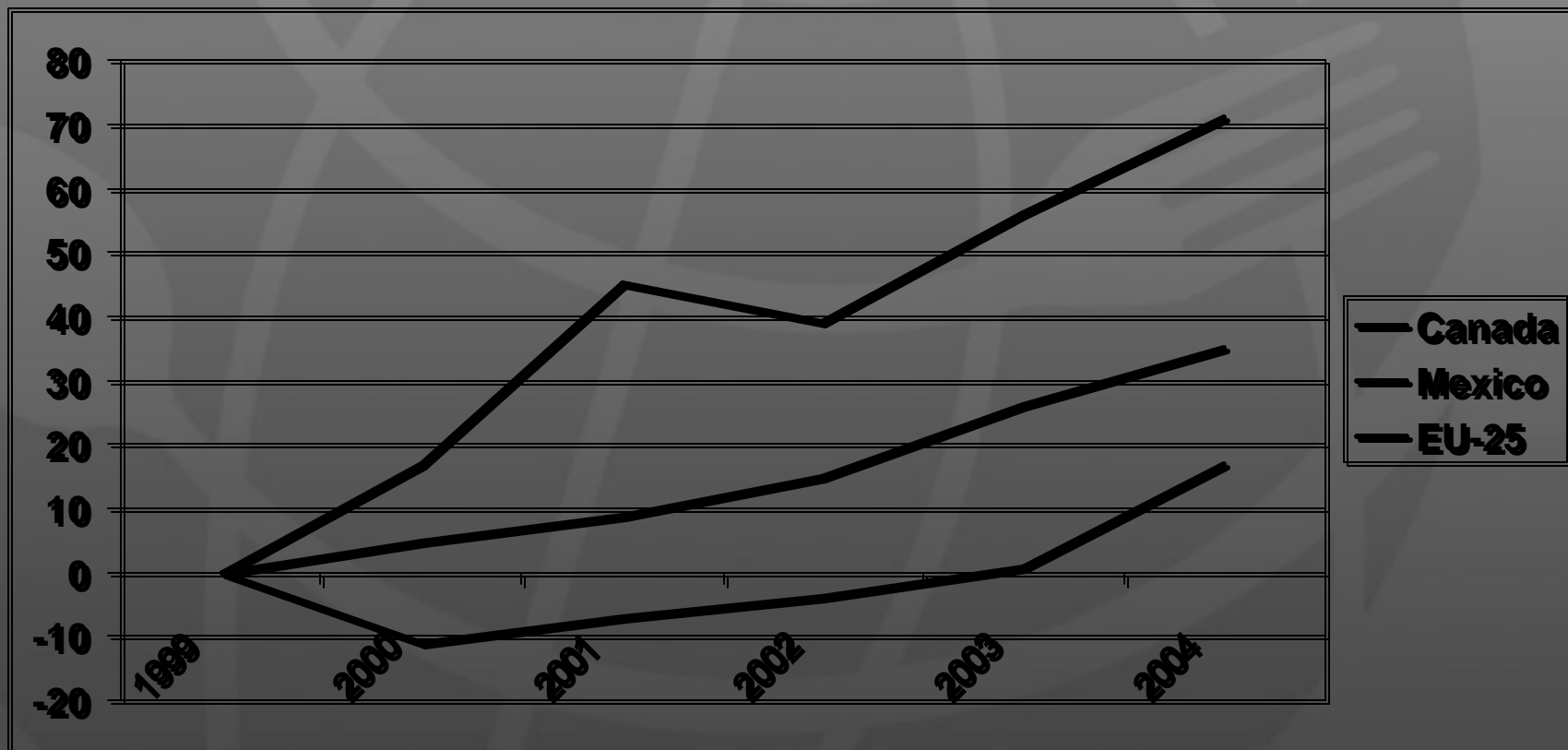
- Processed Food Trade - \$3.2 trillion
- $\frac{3}{4}$ of global food trade
- \$25.5 billion in U.S. exports – 14% to EU
- Demand high – growth stagnant
- 6% Processed Food in trade

» ERS February 2005

“tariffs are a significant trade barrier for processed food...in many cases, non-tariff measures are more important than tariffs...” ITC 3455, October 2001

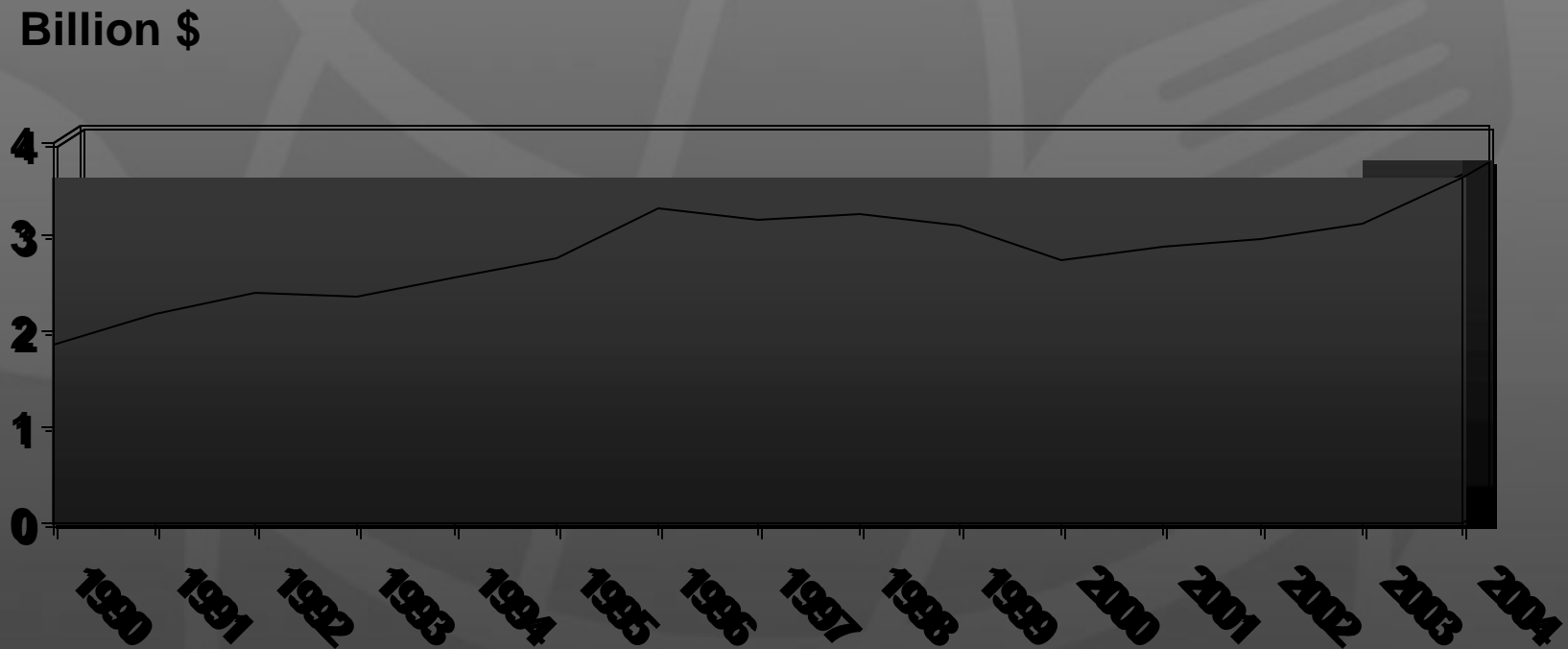
Growth Rate in U.S. Processed Food Exports to the Top 3 Markets

Base Year 1999, period growth



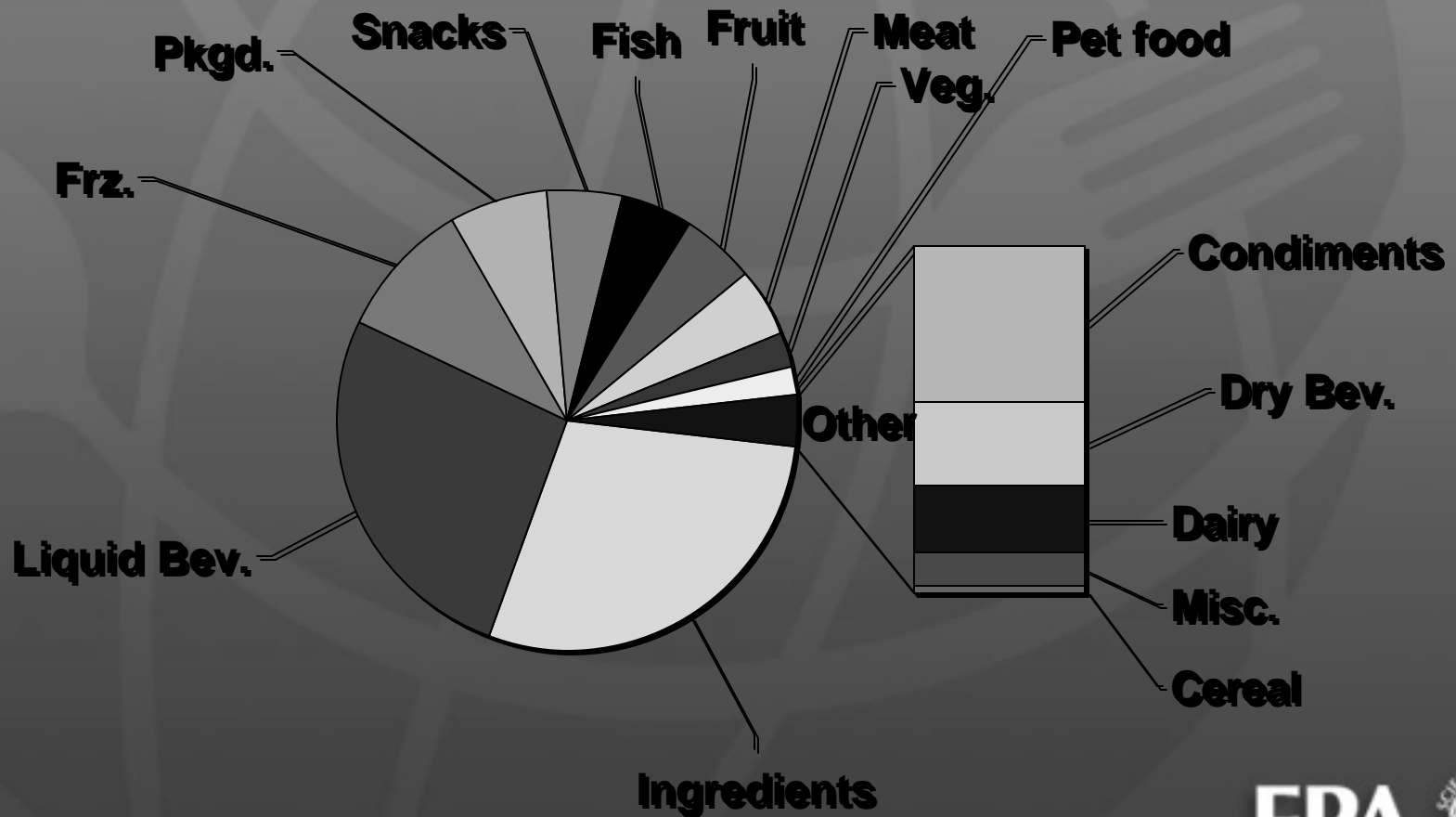
Source: U.S. Department of Commerce

U.S. Exports of Processed Food Products to the EU



Source: U.S. Department of Commerce

2004 U.S. Processed Food Exports to the EU = \$3.6 Billion



Source: U.S. Department of Commerce

U.S. Processed Food Exports to the EU, in million \$

| EU-25 | 1997 | 2004 | % Change |
|-------------|-------|---------|----------|
| Liq. Bev. | \$513 | \$957 | +87 |
| Dry Bev. | \$22 | \$31 | +39 |
| Condiments | \$59 | \$60 | +3 |
| Frozen Fd. | \$197 | \$350 | +78 |
| Dairy | \$12 | \$26 | +109 |
| Fruit | \$178 | \$183 | +3 |
| Fish | \$107 | \$185 | +72 |
| Ingredients | \$853 | \$1,034 | +21 |
| Misc. | \$2 | \$13 | +519 |

U.S. Processed Food Exports to the EU, in million \$

| EU-25 | 1997 | 2004 | % Change |
|-----------|-------|-------|----------|
| Snackfood | \$253 | \$193 | -24 |
| Pkgd. | \$272 | \$248 | -9 |
| Cereal | \$4 | \$2 | -43 |
| Veg. | \$183 | \$97 | -47 |
| Meat | \$303 | \$169 | -44 |
| Pet Food | \$197 | \$64 | -67 |

EU Regulatory Trends

- Regulation – not science based
 - “*Precautionary Principle*”
- Consumer Information
 - *Political, social, cultural, ethical*
- Animal Welfare
 - *Costs not an object to EU consumers*
- Export the problems
 - *Harmonization, enlargement, trade & aid*
- Forum shopping
 - *International organizations*

Regulatory Examples Not Science Based

- Food Derived from Biotechnology

- May 1998 EC 1139/98 – Labeling Threshold 0.9

- Identity Preserved Sourcing
 - Product Reformulation
 - Relocation of Production

- April 2004 E/C 1829/2003 – Food and Feed

- EC/1830/2003 – Traceability and Labeling

- Non Detectable Presence – starches, oils and sugars
 - Obligation to trace – suppliers inability to certify

- *Trade in Affected products*

- \$4.2 billion 1996
 - \$1.6 billion in 2004

Regulatory Examples Not Science Based

- Meat Products –
 - Veterinary Equivalence Agreement 1999
 - Use of hormones in beef 81/602/EEC
 - Chlorinated chill wash for poultry
 - 2002 EC/ 1774 - restricted use of animal by-products (pet foods)

Trade impact – U.S. exports

red meat – decrease 44% since 1997

pet foods – decrease 67% since 1997

Regulatory Examples Not Science Based

- Packaging
 - Epoxy Derivatives 2002/16/EC in food contact materials – can coatings (BADGE, NOGE, BFDGE)
 - can coatings
 - Prohibited Use all by December 2005
 - Approved FDA indirect food additives
 - *Trade impact - \$151 million canned food exports – corn and salmon*
 - Debarking Wood Pallets –2004/102/EC ISPM-15 treatments and marking effective March 2006
 - *Trade impact – \$80 billion total ag trade*

Regulatory Examples

Consumer Information

- Labeling for Biotechnology
 - QUID – 79/112/EEC amended 97/4/EC
 - Percentage ingredient labeling for characterizing ingredients
 - *Recipe information*
- Difficulties in achieving accuracy – enforcement*
- Ingredient disclosure 2003/89/EC – allergen labeling, abolish 25% rule for compound ingredients
 - Origin – Farm to Fork – Meat products

Trade Impact – Economic and Administrative

Regulatory Trends Animal Welfare

- **Animal Welfare 98/58/EC – framework directive**
 - **Standing Committee Decision 11/2005 – Farmed Fish**
 - Enclosures, handling, feeding, staffing, water quality
 - **Proposed Directive May 2005 - Broiler Welfare**
 - Stocking Density
 - Possible Mandatory Labeling Scheme
- **Switzerland – 1999 – Mandatory Labeling of Agricultural Products from Production Practices..**
 - “Possibly produced with hormones”
 - “Possibly from battery cages”
 - Eggs – “From Battery Cages prohibited in Switzerland”
- *Trade Affect – TBD –Application to 3rd countries*

Regulatory Issues – Watch List

- **Pesticide Authorization Review – 91/414/EC**
 - Withdraws hundreds of pesticides lack of data submitted
 - Pesticide chemicals may no longer be in use in EU
 - U.S. processed foods not marketable with unapproved residues
- **Food Hygiene Regulations – 852/2004 January 2006**
 - Microbiological Criteria – “Zero tolerance”
- **Nutrient Content and Health Claims/ Fortification**
 - Creation of nutrient profiles
 - Impact of obesity debate
- ***Trade Impact – To Be Determined***

Exporting Standards

- Examples –
 - Since 1998 – Mandatory Biotech labeling in EU-25 plus 20 other countries
 - Since 1997 – Quid labeling adopted by
 - At least 5 other countries

Forum Shopping

- Codex Alimentarius
 - Precautionary Principle – Working Principles of Risk Analysis
 - Code of Ethics
 - Biotech Labeling – Unresolved since 1993
 - Traceability
 - QUID and Country of Origin Labeling
- ISO
 - Traceability in the Food Chain
 - Social Responsibility

Industry Response

- Science Based Advocacy
- Formulate and Communicate Industry Consensus Views
- Build Alliances Internationally
- Encourage Strong U.S. leadership in International Forums
- Use bilateral negotiations to address regulatory concerns

Monitor regulatory developments, respond quickly in all possible venues – Challenge the Science

Summary– Regulatory Impact to U.S. Processed Food in Millions – Examples

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