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 Canners 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 $

<table>
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<tr>
<th>EU-25</th>
<th>1997</th>
<th>2004</th>
<th>% Change</th>
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<tbody>
<tr>
<td>Liq. Bev.</td>
<td>$513</td>
<td>$957</td>
<td>+87</td>
</tr>
<tr>
<td>Dry Bev.</td>
<td>$22</td>
<td>$31</td>
<td>+39</td>
</tr>
<tr>
<td>Condiments</td>
<td>$59</td>
<td>$60</td>
<td>+3</td>
</tr>
<tr>
<td>Frozen Fd.</td>
<td>$197</td>
<td>$350</td>
<td>+78</td>
</tr>
<tr>
<td>Dairy</td>
<td>$12</td>
<td>$26</td>
<td>+109</td>
</tr>
<tr>
<td>Fruit</td>
<td>$178</td>
<td>$183</td>
<td>+3</td>
</tr>
<tr>
<td>Fish</td>
<td>$107</td>
<td>$185</td>
<td>+72</td>
</tr>
<tr>
<td>Ingredients</td>
<td>$853</td>
<td>$1,034</td>
<td>+21</td>
</tr>
<tr>
<td>Misc.</td>
<td>$2</td>
<td>$13</td>
<td>+519</td>
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<td>$253</td>
<td>$193</td>
<td>-24</td>
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<tr>
<td>Pkgd.</td>
<td>$272</td>
<td>$248</td>
<td>-9</td>
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<tr>
<td>Cereal</td>
<td>$4</td>
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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

    • 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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