

## Meeting summary: MRL setting in the EU

### *Commission– meeting with industry*

26-05-2016

**Business representatives:** DTB associates, consulting: [ Art. 4.1(b) ]; Bayer: [ Art. 4.1(b) ]

**Commission:** Trade – unit D3 – SPS – G3

**Objective:** meeting took place on request of the industry representatives

**Key-points:** Industry representatives made reference to:

- the letter sent in March 2016 to Cmsr Andriukaitis expressing concerns on the MRL setting in the EU and possible negative effects on trade (several trading partners signed this letter) and also to the reply letter received.
- Problem of delisting of substance MRLs following 1107/2009 EU legislation. Delisting based on hazards and not on risk assessments
- Import concern: whether import tolerances will still be allowed for delisted substances
- the current ongoing process for setting cut-off levels for 3-4 substances
- Possibility of reregistration of several commonly used substances
- A possible long list of substances with formulations used in EU which might also trigger ED criteria
- The loss of a significant substance creates a serious problem with regard to options for using pesticides. This creates a pest resistance problem.
- A possible problem for GMOs – when CMO tolerant pesticides might be delisted
- A possible problem of timing of the expiry date of authorisation for several substances which are in near future. This would be problematic for reregistration.
- The ongoing REFIT exercise might not solve the problem and might also not come timely for a number of substances for which the approval will end soon.
- Derogation, notably by means of the "negligible exposure" approach, is not a solution as it is only limited to very specific uses and conditions



**To:** [REDACTED] (TRADE)  
**Subject:** FW: Meeting with ECPA 28 April 2015 - endocrine disruptors, import tolerances, TTIP R9  
**Attachments:** 150202 Delays in import tolerance evaluations - ECPA etter to DG Trade.pdf

**From:** [REDACTED] (TRADE)  
**Sent:** Tuesday, May 05, 2015 12:17 PM  
**To:** GARCIA BERCERO Ignacio (TRADE); RATSO Signe (TRADE);  
[REDACTED] (TRADE); [REDACTED] (TRADE); [REDACTED] (TRADE); [REDACTED]  
[REDACTED] (TRADE); [REDACTED] (TRADE); [REDACTED] (TRADE); [REDACTED]  
[REDACTED] (TRADE); [REDACTED] (TRADE); [REDACTED] (TRADE); [REDACTED] (TRADE);  
**Cc:** [REDACTED] (TRADE); [REDACTED] (TRADE); [REDACTED] (TRADE); [REDACTED] (TRADE); [REDACTED] (TRADE);  
**Subject:** Meeting with ECPA 28 April 2015 - endocrine disruptors, import tolerances,  
TTIP R9

**DG TRADE meeting with European Crop Protection Association (ECPA), 28 April 2015, 9.30-10.30**

ECPA: Euros Jones, Director Regulatory Affairs; [REDACTED], [REDACTED]

TRADE: [REDACTED], [REDACTED] (D.3); [REDACTED] (G.3)

- Productive exchange with ECPA focussing on three topics: endocrine disruptors, import tolerances and the 9<sup>th</sup> round of TTIP negotiations where the association is particularly interested in the sectoral discussions on pesticides and chemicals.
- On **endocrine disruptors** (EDs), ECPA informed about recent meetings with DG SANTÉ ( [REDACTED] ). ECPA has already seen the draft JRC methodology for the screening of substances in the framework of the ongoing Impact Assessment study; the association believes that the JRC's approach will allow some degree of flexibility during the screening exercise, i.e. new substances could be added to the screening at a later stage if needed. TRADE explained that overall the JRC has done a good job, notably on the decision tree. Initial TRADE concerns were limited and concerned mainly a request to also include "margin of exposure" considerations. ECPA acknowledged that its US counterpart association CropLife America (CLA) – along with the US Government – takes a rather hard-line approach and is still fundamentally opposed to any possible EU regulatory action on EDs, pointing to its alleged WTO SPS-incompatibility. ECPA itself is also critical but understands better the EU's regulatory constraints. ECPA will keep in touch with CLA on this matter.
- On **import tolerances / MRLs** (Maximum Residue Limits), ECPA recalled the letter it sent to DG TRADE on 2 February 2015 (see enclosed). One key industry concern is that EFSA (European Food Safety Authority) generally advises against the setting of MRLs until evidence has been provided that the respective use is authorised in the exporting country and that the MRL proposed as an import tolerance is not higher than the one established in the country of origin. ECPA believes that this practice is not in line with the relevant EU MRL Regulation 396/2005 and will lead to important delays. COM took note and remarked that ECPA should address this concern at higher COM level. In any case, it is understandable that

SANTÉ colleagues are trying to avoid unnecessary work on MRLs for which the substance has not yet been authorized in the country of origin.

- COM gave a short overview of the 9<sup>th</sup> round of TTIP negotiations in the areas of **chemicals and pesticides**. In the field of **pesticides**, both sides have now identified the topics for which a closer cooperation between regulators (notably SANTÉ and US EPA) looks more promising.

[Art. 4.1(a) third indent]

Another idea is to identify key commodities for which further-reaching trade facilitation measures may be considered, notably pre-export checks, in order to avoid costly rejections of shipments at the border. One example concerns possible pre-export checks for olive oil; COM will pursue this further with the US FDA during a visit to Washington, DC in the week of 4 May. With regard to the TTIP **chemicals** negotiations, ECPA is particularly interested in classification and labelling issues. COM stressed the importance of convincing the EPA to implement the relevant UN GHS standard for substances under their jurisdiction, notably pesticides. ECPA acknowledged that the failure of the US to fully implement the GHS leads to problematic double-labelling issues, but pointed to the fact that the domestic debate in the US is mostly focused on farmers who could face severe burdens if the current labelling system in the US were to be changed.

[Art. 4.1(b)] /24631  
2 February 2015

[Art. 4.1(b)]

DG Trade  
European Commission  
200 Rue de la Loi  
B-1049 Brussels

Euros Jones  
Director Regulatory Affairs  
Telephone [Art. 4.1(b)]  
Email [Art. 4.1(b)]

Dear [Art. 4.1(b)]

### **Delays in the evaluation of applications for import tolerances in the EU**

We are writing to you to highlight a recent development in the setting of pesticide residue import tolerances which has the potential to unnecessarily impact on trade. While this issue has been discussed with DG SANTE, we are now raising the issue specifically with DG Trade and we would ask that this issue be further reviewed within the Commission.

DG SANTE have indicated that *"...import tolerance requests should not be evaluated [...] until evidence has been provided that the respective use is authorised in the exporting country and that the MRL proposed as an import tolerance is not higher than the one established in the country of origin."*<sup>1</sup>

As the EU process of setting import tolerances currently takes an average of 26 months, the proposed way forward will potentially impact trade with the concerned products being affected for two seasons. In turn this leads to a number of practical and legal concerns. From a legal point of view, the refusal of EFSA to evaluate IT applications does not appear to be in line with Regulation 396/2005, in particular Article 11.1 which states that *"The Authority shall give its reasoned opinion as provided for in Article 10 as soon as possible and at the latest within three months from the date of receipt of the application."*

It should also be highlighted that Maximum Residue Levels are required before such an use can be authorized in the EU. This is therefore completely the opposite to the suggested process for import tolerances which would require an authorization before an MRL (IT) could be set.

As an industry, it is our aim to ensure that European MRLs are in place where possible, providing the required trading standards to ensure an equal system for EU and third country farmers. However, import tolerances are sometimes necessary where a product use is not required within the EU. For such situations, we would ask that a system is put in place which is equivalent to the system for European uses and that is compatible with relevant international trade rules. For instance, the SPS agreement requires to use scientific justifications for measures impeding trade and Members to consider the use of a relevant international standard as the basis for allowing import access until they have made a final safety determination.

We would welcome the opportunity to further discuss this issue with you.

Yours sincerely

[Art. 4.1(b)]

Euros Jones  
Director Regulatory Affairs

Cc: [Art. 4.1(b)]

DG SANCO  
DG Trade

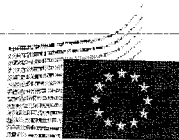
<sup>1</sup> Ref. Ares(2014)3859526 - 19/11/2014





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EUROPEAN COMMISSION  
DIRECTORATE-GENERAL FOR HEALTH AND FOOD SAFETY

Director-General

Brussels,  
SANTE/E4/ (2016)2533334

Dear Mr [REDACTED],

**Subject: Dow AgroSciences perspectives sulfoxaflor MRLs**

I hereby acknowledge receipt of your letter sent to me and Mr Demarty, Director General of DG TRADE on 1 March 2016. As this file falls within the competence of DG SANTE, I reply to you also on behalf of Mr Demarty.

I am fully aware of the concerns you express on the delay for implementing Codex MRLs (CXLs) into EU legislation and would like to provide you with some clarification on this matter.

The Commission is committed to promote consistency between international technical standards and food law while ensuring that the high level of protection established in the Union is not reduced. I would like to reassure you that this principle is still valid. Every year, the EU (via the European Food Safety Authority (EFSA)) assesses the proposals for MRLs recommended by the Joint FAO/WHO Expert Meeting on Pesticides Residues (JMPR) and decides whether they can be implemented into EU legislation. Only where concerns are raised by EFSA, the EU reserves its position in the Codex Committee for Pesticides Residues (CCPR). After the adoption of CXLs by the Codex Alimentarius Commission (CAC), MRLs for which no reservations were made are implemented into EU legislation.

In this specific case of sulfoxaflor, although no reservations were made by the EU in CCPR, the European Parliament expressed its concerns on the substance in general and the implementation of CXLs did not go ahead as planned.

At this stage, we are still considering how and when to implement the CXLs for sulfoxaflor, taking into account the progress on several sensitive dossiers in the pesticide area.

Yours sincerely,

Xavier Prats Monné

Mr [REDACTED]  
Dow AgroSciences  
3B Park Square  
Oxfordshire, OX14 4RN  
United Kingdom

Cc: Mr J.L. Demarty, Mr Z. Somogyi, Mr U. Weigl, Ms T. Sateri (DG TRADE)  
Mr B. Gautrais, Ms K. Cernilogar, Mr L. Miko, Mr T. Bregeon, Mr M. Scannell,  
Ms S. Jülicher, Mr M. Flüh, Ms A. Bitterhof, Ms E. Strickland, Ms A. Ojala  
(DG SANTE)

[All redactions made under Art. 4.1(b)]

Ref. Ares(2015)3744759 - 10/09/2015

**From:** [redacted]@fooddrinkeurope.eu on behalf of [redacted]  
[redacted]@fooddrinkeurope.eu  
**Sent:** 10 September 2015 14:50  
**To:** DEMARTY Jean-Luc (TRADE)  
**Cc:** PETRICCIONE Mauro Raffaele (TRADE); GALLINA Sandra (TRADE); [redacted] (TRADE); [redacted] (TRADE); [redacted] (TRADE); [redacted]@frucom.eu; [redacted]@frucom.eu  
**Subject:** Joint Statement: FoodDrinkEurope, CAOBISCO, ESA and FRUCOM request for an extension of the temporary MRLs for fosetyl  
**Attachments:** Joint statement - fosetyl.pdf

Dear Mr Demarty,

This email has been sent also to :

DG Sante : Prats Monne Xavier, Miko Ladislav, [redacted]

DG Grow/ENTR: Evans Lowri, Peltomaki Antti Ilmari, [redacted]

**Beate Kettlitz**

Director Food Policy, Science and R&D



Avenue des Nerviens 9-31- 1040 Bruxelles - BELGIUM - Tel. 32 2 [redacted]  
[redacted]@fooddrinkeurope.eu - [www.fooddrinkeurope.eu](http://www.fooddrinkeurope.eu) - ETI Register 75818824519-45

----- Forwarded by Sophie Margetis/FOODEU on 10-09-15 14:48 -----

**From:** Beate Kettlitz/FOODEU  
**To:** [jean-luc.demarty@ec.europa.eu](mailto:jean-luc.demarty@ec.europa.eu)  
**Cc:** [mauro.petriccione@ec.europa.eu](mailto:mauro.petriccione@ec.europa.eu), [sandra.gallina@ec.europa.eu](mailto:sandra.gallina@ec.europa.eu), [redacted]@ec.europa.eu, [redacted]@ec.europa.eu, [redacted]@ec.europa.eu, [redacted]@ec.europa.eu, [redacted]@frucom.eu, [redacted]@frucom.eu  
**Date:** 10-09-15 14:30  
**Subject:** Joint Statement: FoodDrinkEurope, CAOBISCO, ESA and FRUCOM request for an extension of the temporary MRLs for fosetyl  
**Sent by:** [redacted]

Dear Mr Demarty

Ahead of the upcoming Standing Committee and on behalf of CAOBISCO, ESA and FRUCOM,

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FoodDrinkEurope would like to draw to your attention the attached joint statement on the request for an extension of the temporary MRLs for fosetyl.

If you have any further questions, please do not hesitate to get in touch.

Many thanks in advance for your consideration.

Kindest regards,

**Beate Kettlitz**

Director Food Policy, Science and R&D



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Brussels, 10th September 2015

## JOINT STATEMENT:

**FoodDrinkEurope, CAOBISCO, ESA and FRUCOM request for an extension of the temporary MRLs for fosetyl**

FoodDrinkEurope, the representative body for Europe's food and drink manufacturers, of which The European Chocolate, Biscuit and Confectionery Industries (CAOBISCO), the European Snacks Association (ESA) are members of, and the European Federation of the Trade in Dried Fruit & Edible Nuts (FRUCOM) would like to express their deep concerns on the intended reduction of the temporary maximum residue levels (MRL) for fosetyl in nuts from 75 mg/kg to 2 mg/kg as of 1 January 2016 according to the Regulation (EU) 991/2014 amending Annex III of Regulation (EC) 396/2005.

The current temporary MRL was published in the Official Journal on 23 September 2014<sup>1</sup>, entering into force the following day, meaning that **producers were given only 15 months to react and adapt their growing practices<sup>2</sup> to a significantly lower MRL**. Moreover, when phosphonates were classified as pesticides in 2013, the default MRL for fosetyl was not reassessed to take into account other sources of residues.

Tree nut growers have been advised concerning the use of phosphonates in order to comply with EU MRLs. Research and monitoring of residues have been underway for over a year in the US. However, the **growing season does not match the deadline** of 31 December 2015, and as such the **biological cycle is a crucial limiting factor to develop the necessary data required to submit an application to set an appropriate MRL**. Therefore, the **15-month timeframe established by the Commission is not sufficient** to complete the studies, analyse the results and submit the dossier for a revision.

We have been informed that the **required data are expected to be submitted in summer 2016**. For that reason and because an appropriate extension should take into account the **necessary time to review the application in the EU, the temporary MRL should be extended to at least 31 December 2018**. However, a more realistic timeframe would be end of 2019 in the event that the review needs additional time or requests additional date. This would ensure and guarantee the continuous production by EU food manufacturers processing tree nuts.

According to the Statement<sup>3</sup> published by the European Food Safety Authority (EFSA) in 2014, the **temporary MRL of 75 mg/kg does not represent a health risk for consumers**. It is also worth noting that fosetyl MRLs are set at **higher levels for a number of other foods which are consumed in much higher amounts**. For example, MRLs will remain at 75 mg/kg for citrus and pome fruit; 100 mg/kg for wine grapes, tomatoes and aubergines; and 150 mg/kg for kiwifruit. **Article 16(1)(b) of Regulation (EC) No 396/2005 permits the setting of a temporary MRL where the products concerned constitute**

<sup>1</sup> Commission Regulation (EU) No 991/2014 [http://eur-lex.europa.eu/legal-content/En/TXT/?uri=CELEX:32014R0991#ntc1-L\\_2014279ES.01000302-E0001](http://eur-lex.europa.eu/legal-content/En/TXT/?uri=CELEX:32014R0991#ntc1-L_2014279ES.01000302-E0001)

<sup>2</sup> The application of phosphonates is legally authorised in third countries such as the US and Australia, [http://www.epa.gov/opppbpd1/biopesticides/ingredients\\_keep/fr\\_notices/frnotices\\_076002.htm](http://www.epa.gov/opppbpd1/biopesticides/ingredients_keep/fr_notices/frnotices_076002.htm)

<sup>3</sup> *Statement on the dietary risk assessment for proposed temporary maximum residue levels (t-MRLs) for fosetyl-Al in certain crops*. <http://www.efsa.europa.eu/en/efsajournal/doc/3695.pdf>  
Avenue des Nerviens 9-31 - 1040 Brussels - BELGIUM - Tel. +32 2 514 11 11  
info@fooddrinkeurope.eu - www.fooddrinkeurope.eu - ETI Register 75818824519-45  
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a minor component of the diet of consumers, which is the case for tree nuts such as almonds, walnuts and pistachios<sup>4</sup>.

**We would also highlight that the EU is a net importer of tree nuts, as the EU production cannot cover the internal demand.** Almonds, walnuts, cashew nuts, Macadamia nuts, hazelnuts and pistachios are predominantly imported from third countries. Their production is often limited to only a few countries and this means that the volumes imported from these countries cannot be sourced from alternative origins<sup>5</sup>. For example, almonds from the United States cover over two thirds of the European demand<sup>6</sup>. In terms of value, raw material imports for the whole of the EU amounted to €3.7 bn in 2014. Preliminary analyses indicate that a **large percentage of imports shows phosphonate residue levels above the detection level of 2 mg/kg** while remaining clearly below the current temporary MRL of 75 mg/kg. These continued results would have a **serious disruptive effect on the supply chain and a dramatic impact on our productions in the EU with no additional consumers' health benefit.**

For all the above mentioned reasons, **we are calling for an extension of the temporary MRLs of 75 mg/kg for all tree nuts, taking into account the necessary time to complete the ongoing studies and review the dossier.**

*FoodDrinkEurope represents the European food and drink industry, the largest manufacturing sector in the EU in terms of turnover and employment. It aims to promote the industry's interests to European and international institutions, contributing to a framework addressing, inter alia, food safety and science, nutrition and health, environmental sustainability and competitiveness.*

*CAOBISCO is the Association of the Chocolate, Biscuits & Confectionery Industries of Europe. With 17 member National Associations and 8 direct member companies we represent an annual production of around 11.1 million tons, a workforce of more than 321 000 people and 12 345 companies (99,4% SMEs). In 2013 exports reached 7.2 billion euros, i.e. 10% of the total value of food exports from the European Union. (Source: Eurostat)*

*The European Snacks Association (ESA) is Europe's only trade organisation dedicated to advancing the savoury snacks industry on behalf of member snack manufacturers and suppliers, as well as national trade organisations. ESA's membership groups some 200 companies of all sizes in 40 countries, and ESA members - comprising approximately 50% of SMEs- represent ca. 80% of the entire European snacks market.*

*FRUCOM officially represents European traders (importers, agents, brokers and other traders and industrial operators) in a series of products including dried fruit and edible nuts. Founded in 1960, FRUCOM represents the common interests of more than 300 companies across the EU. Further information about the association can be found in our website [www.frucom.eu](http://www.frucom.eu).*

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<sup>4</sup> For example, consumption per capita in Germany amounts at 0.767 kg/ year for almonds, 0.103 kg/year for walnuts and 0.093 kg/year for pistachios, according to the 2013 USDA Gain report on Tree nuts <http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Product%20Brief%20-%20Dried%20Fruits%20and%20Nuts%20Berlin%20Germany%201-17-2013.pdf>

<sup>5</sup> Walnuts are also predominantly sourced from the US (over 60%), followed in importance by Moldova, Ukraine, and Chile. Turkey is the main supplier of hazelnuts with an import share of 78%. Other nuts such as cashew nuts, and macadamia nuts are not produced at all in the EU, and their productions are often concentrated mainly in 1-3 countries per type of nut E.g. 72% of pistachios on the EU market originate from the US; 58% of cashew nuts originate from Vietnam. Source: Eurostat.

<sup>6</sup> US imports amount to around 200.000 t, versus an internal demand of approximately 290.000 t. Source: Estimation made based on data from Public Ledger, USDA and Eurostat.

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[All redactions made under Art. 4.1(b)]



**Dow AgroSciences**

Xavier Prats Monné  
Director General DG SANTE  
Jean-Luc Demarty  
Director General DG TRADE

Dear Mr Prats Monné and Mr Demarty,

We would like to express our serious concern about the current impasse for the approval into EU law of the Codex MRLs for sulfoxaflor - a new insecticidal active substance developed by Dow AgroSciences. According to established EU practice, these Codex MRLs for sulfoxaflor were meant to be approved at the Standing Committee in December 2015 as part of a group of Codex MRLs for several substances.

The removal of sulfoxaflor from the Commission's draft decision was not justified on technical, scientific or procedural grounds as reflected in the minutes of the meeting. This unprecedented situation creates an unfair discrimination against our technology compared to competitor molecules, for which MRLs were agreed at Codex at the same time. This is discouraging for a company which is making great investment in bringing new and safe solutions to farmers worldwide.

This situation contravenes the EU's international commitments at FAO Codex Committee. Furthermore this jeopardises the export of key commodities to Europe and thus fails to meet the legitimate expectations of EU trade partners, such as South Africa, Chile and Morocco. Farmers in those countries need sulfoxaflor to deal with key pests threatening their productions but the lack of a diligent process in the EU leaves them with much uncertainty on the trade of treated commodities.

We believe that this situation, which is a trading standard issue and not related to a doubt on the safety, differs from regular Commission practices and its ambition for Better Regulation and efficient administration.

Therefore, we kindly request the reason for this delay and plea for a swift adoption of these MRLs with no further delay.

Should you need to address any issues related to these MRLs or sulfoxaflor, we remain at your disposal for further clarifications or a meeting as appropriate.

We look forward to hearing from you.

Best regards,

[REDACTED]

1st March 2016

[REDACTED]

EMEA & APAC Regulatory, [REDACTED]

Dow AgroSciences

CC: [REDACTED]



[All redactions made under Art. 4.1(b)]

Ref. Ares(2015)2827752 - 06/07/2015

**From:** Julie Adams [REDACTED]@almondboard.com>  
**Sent:** 02 July 2015 00:43  
**To:** MIKO Ladislav (SANTE); DEMARTY Jean-Luc (TRADE)  
**Cc:** [REDACTED] (SANTE); [REDACTED] (TRADE); [REDACTED]  
**Subject:** Comments concerning fosetyl-Al MRL extension  
**Attachments:** 150630\_DG\_Fosetyl-Phosphonate.pdf

**Importance:** High

Dear Director-General Miko and Director-General Demarty,

Please find attached a letter from the U.S. almond, walnut and pistachio industries concerning the ongoing consideration of the temporary MRL for fosetyl-Al, and its extension.

We appreciate your time and consideration.

With best regards,

**Julie G. Adams** • Vice President, Global Technical & Regulatory Affairs  
Almond Board of California

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June 30, 2015

**Ladislav MIKO**  
Acting Director-General  
DG SANTE  
European Commission

**Jean-Luc DEMARTY**  
Director-General  
DG TRADE  
European Commission

We appreciate the engagement with DG Santé regarding the European Commission's (EC) Regulation 991/2014 on maximum residue limits (MRL) for fosetyl-AI on food and feed of plant and animal origin. While we are pleased the recent Standing Committee (June 11-12) was able to consider the information provided by the U.S. and European industries, we remain concerned that there may be an unwillingness to extend the existing temporary MRL for fosetyl-AI of 75 mg/kg in order to avoid unnecessary disruptions to trade for a number of commodities, including U.S. tree nuts.

The EU is a valuable trade partner, representing almost **\$2.7 billion** in U.S. exports of almonds, pistachios and walnuts in 2014. Many sectors in Europe, including German's extensive marzipan industry and Spain's bakery and confectionary companies, rely on imported tree nuts for their economic success.

We have suggested that an extension of the temporary MRL to **December 31, 2017** is necessary to comply with the EU's decision in 2013 to no longer consider phosphonic acids as both fertilizers and pesticides. Before that date, the scope of the fosetyl-AI MRL<sup>1</sup> did not exclude the possibility of phosphonic acid residues (phosphonate/phosphorous acid/phosphite) being present from other sources. As a result, a default tolerance did not present a potential trade issue since many commodities that may have phosphonic acid/phosphonate residues do not use fosetyl-AI.

However, potassium phosphonates and disodium phosphonate were added to the list of approved active substances as plant protection products under Regulation (EC) No 1107/2009 effective 1 October 2013 and 1 February 2014, respectively. *While the definition of fosetyl-AI did not change, **this decision effectively increased the scope of the fosetyl-AI MRL.***

The Commission's Implementing Regulation (EU) No 369/2013 of 22 April 2013 acknowledged that *a **reasonable period should be allowed to elapse before approval in order to permit Member States and the interested parties to prepare themselves to meet the new requirements resulting from the approval.*** However, since there was no formal WTO notification of this change, there was **no opportunity for European industry and exporting countries to comment on the impact, or to submit data on the potential sources of additional residues which may stem from legal usage (either as a fertilizer or a pesticide), but all which would now have to be accounted for within the fosetyl-AI MRL.**

As we have noted:

- EFSA has concluded there is no public health risk associated with the temporary MRLs;
- Extending the temporary MRL does not set a precedent. Adding potassium phosphonates and disodium phosphonate to the list of approved active substances had the unintended effect of

<sup>1</sup> Defined as the "sum of fosetyl, phosphonic acid and their salts, expressed as fosetyl)"

<sup>1</sup> Letter to DGs Santé and Trade related to the European Commission's (EC) Regulation 991/2014 on maximum residue limits (MRL) for fosetyl-AI on food and feed of plant and animal origin

expanding the scope of the MRL for fosetyl-Al since it now encompasses any source of residues of phosphonic acids whether or not they stem from the use of fosetyl-Al (which was not the situation when the fosetyl-Al MRL was initially notified in the mid-2000's). Since there was no WTO notification, there was no opportunity to appropriately adjust the existing default MRL to encompass all possible residues of phosphonic acids which are legally applied;

- Monitoring data of European, U.S., Australian, and other origin tree nuts indicates there may be carryover residues which need to be accounted for, despite the U.S. tree nut industry having notified their growers of the change in the EU regulation of fosetyl-Al in early 2015.

The industry is preparing to submit a dossier in **June 2016** for an MRL for tree nuts based on the research protocols and monitoring data that was immediately initiated last year when the temporary MRL was established. The residue trials are being conducted in 2015, but the harvest seasons preclude gathering, analyzing, and submitting the dossier within the one year timeframe proposed by the EU. The extension of the temporary MRL to December 31, 2017 will not only allow the time to complete/assess the research results, but will also allow the Commission time to conclude its assessment of the dossier.

It is anticipated that it will take several more months, likely early in 2016, before the analytical method can be further revised to ensure more accurate results – and to avoid the high proportion of false positives that have been noted by European laboratories. As was reflected in the data already provided to the Commission, a joint study between European and California laboratories has demonstrated the considerable variability of results stemming from the existing analytical protocols.

Our suppliers, together with their customers in Europe, are very concerned at the trade disruption that will occur if the Standing Committee decides not to extend the temporary MRL at its September 2015 meeting. Tree nuts will be contracted for and shipped in September/October in order to supply the large Christmas trade in Europe. Without some certainty of an extension, it is likely this business will be significantly limited putting economic pressure on many European manufacturers.

We welcome the opportunity to cooperate with the Commission in complying with its regulations, and to providing the data necessary to consider a dossier for an appropriate MRL for tree nuts. We anticipate additional data will be provided to the Commission in time for consideration at the September 2015 Standing Committee meeting.

Sincerely,

**Julie Adams**  
**Almond Board of California**  
**1150 9<sup>th</sup> St, Suite 1500**  
**Modesto, CA 95354**  
**U.S.A.**

**(+1) [REDACTED]**  
**[REDACTED]@almondboard.com**

**Bob Klein**  
**Administrative Committee**  
**for Pistachios**  
**4938 E. Yale Ave, Suite 102**  
**Fresno, CA 93727**  
**U.S.A.**

**(+1) [REDACTED]**  
**[REDACTED]@acpistachios.org**

**Carl Eidsath**  
**California Walnut Board**  
**101 Parkshore Drive,**  
**Folsom, CA 95630**  
**U.S.A.**

**(+1) 9 [REDACTED]**  
**[REDACTED]walnuts.org**

[All redactions made under Art. 4.1(b)]

Ref. Ares(2015)3399376 - 14/08/2015

**To:** [redacted]@caobisco.eu  
**Cc:** [redacted]  
**Subject:** RE: Temporary MRLs for fosetyl/phosphonates

Dear Ms. Korter,

Thank you very much for expressing your concern about the possible expiry of the temporary MRL set for Fosetyl. We are aware of the matter, your concern has been fully registered in DG Trade, and we are in contact with our colleagues in DG Sante on this matter. I do apologize that, at this stage, we are not able to give you any reply on the substance of your concern, but we will revert to you should we need any further information or once we can react in more detail on the matter.

In CC, I copy colleagues who will follow this matter over the coming two weeks.

Kind regards.

[redacted]

[redacted]



**European Commission**

DG TRADE

Unit D3 Agriculture, Fisheries, Sanitary and Phytosanitary Market Access, Biotechnology

CHAR [redacted]  
B-1049 Brussels/Belgium  
+32 2 [redacted]  
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To find out more about EU trade policy visit <http://ec.europa.eu/trade/>.

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---

**From:** Muriel Korter [mailto:[redacted]@caobisco.eu]  
**Sent:** Tuesday, July 28, 2015 2:21 PM  
**To:** [redacted] (TRADE); [redacted] (TRADE); [redacted] (TRADE)  
**Cc:** [redacted]  
**Subject:** Temporary MRLs for fosetyl/phosphonates  
**Importance:** High

Dear [REDACTED] and [REDACTED],

I hope you are well.

A few months back, we had sent you a copy of the letter addressed to SANTE on the tolerance level of mrl on fosetyl-al in imported nuts products (see letter attached). We just received the response from SANTE attached. As you see, SANTE is not going to propose an extension of a temporary tolerance level.

We are concerned that the majority of third country producers will not comply with the mrl level fixed by the EU as of 1 January 2016. Since we are by more than 90% dependent on imports of nuts, we fear important trade disruptions for next year.

My question to you is: have you been consulted by SANTE on this?

What can we do to avoid trade disruption and ensure sustainable supply of nuts for our members next year?

Thank you very much for your advice!

With best regards,

Muriel



Muriel KORTER  
Economic Affairs Director

Tel: +32 2 [REDACTED] Mob: +32 [REDACTED] Fax: +32 2 [REDACTED]  
47 Boulevard Saint-Michel, B-1040 Brussels  
[www.caobisco.eu](http://www.caobisco.eu)  
EU Transparency Register Nr. 30978122100-27

**From:** SANTE-CONSULT-E3@ec.europa.eu [mailto:SANTE-CONSULT-E3@ec.europa.eu]

**Sent:** mardi 28 juillet 2015 12:06

**To:** Muriel Korter;

**Cc:** [REDACTED]@ec.europa.eu; [REDACTED]@ec.europa.eu;  
[REDACTED]@ec.europa.eu; [REDACTED]@ec.europa.eu;  
[REDACTED]@ec.europa.eu; [REDACTED]@ec.europa.eu;  
[REDACTED]@ec.europa.eu; [REDACTED]@ec.europa.eu;  
[REDACTED]@ec.europa.eu; [REDACTED]@ec.europa.eu;  
[REDACTED]@ec.europa.eu; [REDACTED]@ec.europa.eu

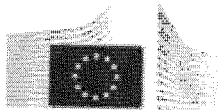
**Subject:** Your letter dated 28 May 2015 (Ares(2015)2250579) - temporary MRLs for fosetyl/phosphonates

Dear Ms Korter, Dear Ms [REDACTED]

Please find herewith a copy of the signed letter from Mr Ladislav Miko with ref Ares (2015)3147626, regarding the above mentioned subject.

The original letter will follow by post.

Best regards,



European Commission  
HEALTH AND FOOD SAFETY DIRECTORATE GENERAL  
Safety of the food chain  
Pesticides and Biocides  
Office:   
 [@ec.europa.eu](mailto:XXXX@ec.europa.eu)



Ref: RSC-Contaminants-042015-725-160anx1

Mr. Ladislav MIKA  
Deputy Director-General – For the Food Chain  
DG SANTE  
European Commission  
1049 Brussels

Date: 28/5/2014

Dear Mr. Mika,

**CAOBISCO concerned on future supplies of Dried Nuts due to new maximum residue levels for fosetyl-Al**

CAOBISCO, the Association of the Chocolate, Biscuits and Confectionery Industries of Europe, would like to express concerns on the current plans of the Commission to lower the maximum residue levels for fosetyl-Al in nuts from 75mg/kg back to 2mg/kg as of 1 January 2016 according to the Regulation (EU) 991/2014 amending Annex III of Regulation (EC) 396/2005.

Applying this MRL of 2 mg/kg again from January 2016 onwards without prior demonstration that this is achievable - for all affected products in all regions - on the basis of the measure taken, would bring serious consequences to the supplies of dried imported nuts to our manufacturers. Indeed, major supplies of dried nuts are imported from third countries where there is no assertive control over the producers.

Fosetyl-Al (in the definition of covering fosetyl, phosphonic acid and their salts) continues to be measured at values far above the envisaged maximum levels for 2016.

In the understanding that the detectable residues are not due to an application of the pesticide Fosetyl-Al, but are the results of applying fertilizers containing phosphonates, this needs further investigation into options and effects of changing fertilizing practices.

Yet CAOBISCO members have no influence on the use of fertilisers in these producing third countries and are concerned that it would take longer to fully implement related measures than the period currently set to allow for the higher MRL of 75mg/kg. Furthermore, even without the addition of these fertilisers, the presence of phosphonates in the soil may cause a continued uptake in the next new growing seasons of the plants.

CAOBISCO is calling the Commission to extend the current maximum residue levels of 75mg/kg until suppliers have successfully implemented measures to ensure compliance with the lower EU maximum Levels. As stated at the whereas 8 of the EC Regulation 991/2014: *"Those temporary MRLs should apply only until measures to prevent the occurrence of phosphonate residues in relevant crops in future growing seasons take effect"*. This may not be consistent with setting of an end date of 31 December 2015.

Reducing the mrl level without having the evidence on successfully implemented measures to ensure compliance by end 2015, will not only severely impact our sustainable supplies of dried nuts but also affect traditional recipes of our products without providing consumers with safer products (as stated at the EFSA opinion EFSA Journal 2014;12(5):3695: *Statement on the dietary risk assessment for proposed*

*temporary maximum residue levels (t-MRLs) for fosetyl-Al in certain crops).*

We would also like to highlight that the Regulation 991/2014 does not include a transition period to ensure that existing stocks within the supply chain at the end of the year can still be legally used in 2016.

CAOBISCO manufacturers use important amounts of dried nuts in their products and rely heavily on imports of these, since EU production does not sufficiently meet their demand. Applying the lowered maximum residue levels as soon as 1 January 2016, would have disastrous economic consequences on our businesses, especially on small-and medium-sized enterprises (SMEs).

Thank you for taking these points into consideration. We are happy to meet with your services, should you wish a more in-depth discussion on the issue.

Sincerely,

[Redacted signature]

[Redacted signature]

Muriel Korter  
Director Economic Affairs  
CAOBISCO

[Redacted signature]  
[Redacted signature]  
CAOBISCO

Cc: [Redacted] (SANTE); [Redacted] (TRADE); [Redacted]  
[Redacted] (GROW); [Redacted] (TRADE);



Association des Amidonniers et Féculiers  
European Starch Industry Association

Commissioner De Gucht,  
Commissioner Ciolos,  
Members of the European  
Commission  
B- 1049 Brussels

1<sup>st</sup> October 2013, Brussels

Dear Commissioner de Gucht,  
Dear Commissioner Ciolos,

**RE: Serious starch industry concerns on TTIP and Thailand negotiations with the EU**

The European Starch Industry Association, the AAF, represents the 23 EU companies producing starch, its derivatives and its co-products from 69 starch plants in 21 EU member states. The EU starch industry processes 22 million tonnes of EU agricultural raw materials (1/3 maize, 1/3 wheat, 1/3 potatoes and others) into 10 million tonnes of starch for food (60%) and non food (40%) applications. Annually it generates revenues of 7.7 billion Euros, and invests 540 million Euros, of which more than 100 million Euros is in R&D. The industry has 14,400 direct employees.

We are writing to you to express our serious concerns about the potential impact ongoing FTA discussions with the USA and Thailand may have on the future of our sector. Our position papers on both FTA negotiations are attached. In sum:

- The US starch industry is structurally different from the EU industry - it produces almost three times as much starch as the EU for a smaller population, from less than half the number of starch plants. These economies of scale, result in a huge competitive advantage for the US industry and are created by a long established more favourable policy environment for US starch producers (no quotas on isoglucose/HFCS production, support to bio-ethanol). This US competitive advantage is being further compounded by the increasingly lower energy costs which US starch producers enjoy compared to their EU competitors. With the existing spare production capacity that the US starch industry has, it has the potential to undermine significantly the future of the EU starch industry if granted increased access to the EU starch market.

[Outside the scope of the request]

[Outside the scope of the request]

If these two FTA negotiations result in increased market access to two of Europe's biggest starch producing competitors, the EU starch industry, and the European farmers who supply it, will not be in a position to continue to make their invaluable contribution to the EU economy, and the markets they serve, including the European food & drink industries, the paper industry and the EU bioeconomy, nor will they be able to enjoy the long awaited potential benefit of the EU's decision to end sugar and isoglucose quotas in 2017.

We would very much appreciate the opportunity to meet with you to discuss these serious concerns.

Yours sincerely,

Kathy Fortmann  
AAF President

C.c:

M C. Bengtsson, Member of Commissioner De Gucht cabinet – DG Trade  
Ms M. Hannonen, Member of Commissioner De Gucht cabinet – DG Trade  
M J.-L. Demarty, Director General – DG Trade  
M I. Garcia-Bercero, Director – DG Trade  
M [redacted] e, Head of Unit – DG Trade  
Ms [redacted] Trade affairs manager – DG Trade  
Ms [redacted] Trade affairs manager – DG Trade  
M Petriccione, Director Asia and Latin America – DG Trade  
M [redacted] Head of Unit – DG Trade  
Ms [redacted] Policy coordinator – DG Trade

M G. Jones, Member of Commissioner Ciolos cabinet – DG Agriculture  
M J-B. Plewa, Director General – DG Agriculture  
Ms L. Dormal-Marino, Deputy Director General – DG Agriculture  
M J. Clarke, Director – DG Agriculture  
M [redacted] Head of Unit – DG Agriculture  
Ms [redacted], International relations officer – DG Agriculture  
Ms [redacted], Head of Unit – DG Agriculture  
M [redacted] International relations officer – DG Agriculture

M Commissioner A. Tajani, Member of the European Commission  
Ms F. Benini, Member of Commissioner Tajani cabinet – DG Enterprise  
M D. Calleja, Director General – DG Enterprise  
M G. Cozegou, Director – DG Enterprise  
M [redacted] – Head of Unit – DG Enterprise  
Ms [redacted] – Trade affairs manager – DG Enterprise  
M [redacted] – Trade affairs manager – DG Enterprise

## AAF POSITION ON THE EU-US TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP

### AAF Markets and Products

- Food and feed sectors
- Non-food applications
- Plant-based chemistry

Annex-I products: native starches, sweeteners, wheat gluten, fibers and proteins for feed  
Non-Annex I products: modified starches, fermentation products, hydrogenation products and polyols, others

### AAF Figures – 2012

- 23 million tonnes of agricultural raw materials (1/3 maize, 1/3 wheat, 1/3 potatoes and others) into 10 million tonnes of starch.
- € 7.7 billion turnover
- € 540 million investment (including €104 million in Research and Development)<sup>1</sup>
- 14.300 employees
- Food (60%) and non-food (40%) applications

***Due to the structural differences with the US, the EU starch industry cannot compete on a fair level-playing field. Over the last 20 years different supportive policies between the two regions have created a deep structural gap between the EU and US starch industries. The European starch industry considers that liberalisation of tariff lines in the framework of a free trade agreement with the United States of America seriously threatens its future.***

### 1. DEEP STRUCTURAL DIFFERENCES BETWEEN EU AND US STARCH INDUSTRIES

**Table 1: Structural differences between EU and US starch industries**

	US	EU
Plants	26 <sup>2</sup>	68 <sup>3</sup>
Total annual production	25 million tonnes <sup>4</sup>	10 million tonnes <sup>5</sup>
Average production per plant	960,000 tonnes	144,000 tonnes
Isoglucose/HFCS production	8 million tonnes	0.7 million tonne
Isoglucose/HFCS share of sugars market	42% <sup>6</sup>	4%
Ethanol production by starch industry	6.8 billion litres <sup>7</sup>	< 0.5 billion litres <sup>8</sup>

<sup>1</sup> Over 2008-2010

<sup>2</sup> Corn refiners association -CRA (2012) Annual report, p.5;  
<http://issuu.com/sweetenerinfo/docs/2012cornannual?mode=window&backgroundcolor=%23222222>

<sup>3</sup> European starch association – AAF, <http://www.aaf-eu.org/>

<sup>4</sup> CRA, Annual report 2012, p.5 - including ethanol production

<sup>5</sup> AAF, own statistics - including ethanol production

<sup>6</sup> LMC – Sweeteners Analysis, 2012, “HFCS industry annual review”

<sup>7</sup> CRA, Annual report 2012, p. 5.

<sup>8</sup> AAF estimate

The US starch (corn refining) industry activity is split, approximately evenly, between high fructose corn syrup (HFCS), ethanol and starch. It relies heavily on HFCS and ethanol production, which each represents on average about 1/3 of the maize used by the US starch industry. These supplementary starch outlets, supported by incentives to ethanol production for fuel use and a free market for HFCS production, have enabled it to develop significant economies of scale.

On the other hand, the EU starch industry activity is heavily focused on starch, with the production of isoglucose (EU equivalent of HFCS) limited by a quota of only 690.000 tonnes (6.9% of starch production) and ethanol production being minimal (EU ethanol production, which is significantly lower than in the US, comes primarily from sugar beet).

Furthermore, whilst the EU potato starch is made from starch potatoes, in the US potato starch is obtained from side-streams of the potato processing industry and therefore with a significantly lower raw material (independent from any agricultural alternatives) and processing cost.

These very different starch industry structures are, in significant part, the result of very different policy approaches in the two regions.

### **HFCS/Isoglucose**

In the US, there exists no restrictions on the production of HFCS and it competes freely with sugar in the sugars market. The result is that today in the US, HFCS represents over 40% of the sugars market and one third of the raw material input (i.e. approximately 13 million tonnes of maize) into the US starch industry.

In the EU, on the other hand, the production of isoglucose has been artificially limited by the sugar regime for over 40 years and covers only 4% of the EU sugars market. Even when sugar and isoglucose quotas come to an end in 2017, the EU starch industry will need significant time to invest, and increase its production capacity.

### **Ethanol subsidies**

The other factor which has made the expansion of the US starch sector possible is the ethanol subsidy, a programme that granted yearly \$6bn to the development of the ethanol sector from 1980 until 2011. Since 2001, US production of ethanol increased from 6.1<sup>9</sup> to 52.6<sup>10</sup> billion litres (of which 6.8 billion litres from starch producers) in 10 years (2001 – 2011). Ethanol has become the third starch outlet, representing 1/3 of the raw material intake. This programme enabled starch companies to build huge economies of scale with some plants reaching 24.600 tonnes of daily raw material input, the equivalent of 4.92 million tonnes of end-product per year. In comparison, EU's average plant-use per day amounts to 1.000 tonnes of raw material, with the largest EU plant processing 5.000 tonnes.

### **Significant price differences**

As a result of these very different structures and policy approaches, the production cost of EU native maize starch is significantly higher than the production cost of US maize starch<sup>11</sup>.

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<sup>9</sup> F.O. Lichts. "Industry Statistics: 2010 World Fuel Ethanol Production". Renewable Fuels

<sup>10</sup> Renewable Fuels Association (2012-03-06). "Accelerating Industry Innovation - 2012 Ethanol Industry Outlook". Renewable Fuels Association. Retrieved 2012-05-06. See pp. 10.

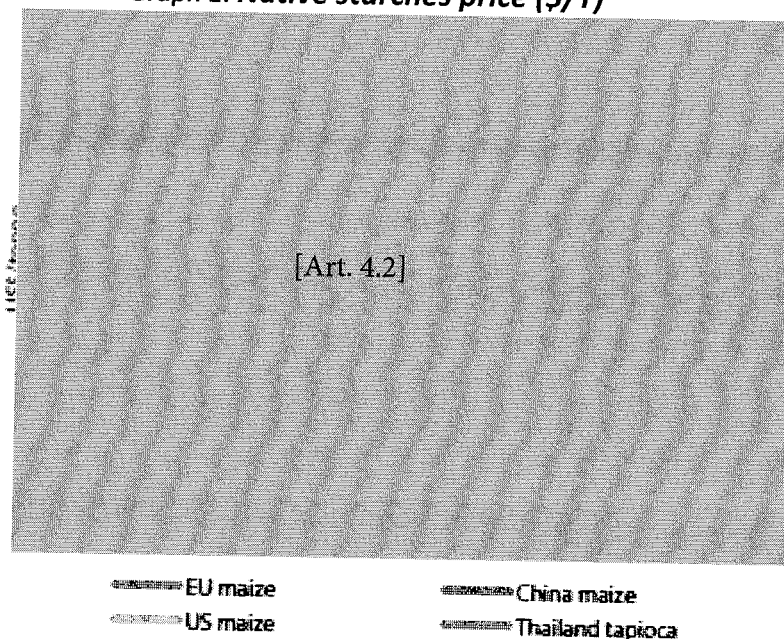
<sup>11</sup> LMC (2012) Native starch margins and price outlook, from LMC Starch and Fermentation Analysis, February 2012, page 2-3.

Table 2: Comparison between US and EU maize starch costs, €/T<sup>12</sup>

	2009		2010		2011	
	US	EU	US	EU	US	EU
Net cost of maize	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]
Processing cost	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]
Other costs	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]
[ Art. 4.1(a) ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]	[ Art. 4.2 ]
<b>Difference</b>	[Art. 4.2]		[Art. 4.2]		[Art. 4.2]	

These lower production cost translate into significant price differences:

Graph 1: Native starches price (\$/T)



LMC, February 2012

These significant production cost and price differences will also clearly be impacted by fluctuations in the USD/Euro exchange rate.

Were the current European import duty of 166 Euros per tonne of native maize starch to be reduced or eliminated, the potential for US maize starch to enter the EU at prices well below those at which EU producers can compete is very clear. Being based on lower priced US native maize starch, together with the economies of scale that the US corn refiners have, US modified starches (including esterified and etherified starches) and glucose also have a strong competitive advantage over their EU counterparts.

This significant price difference also applies to potato starch, as US potato starch (approx. 200.000 tonnes p.a. of which 100.000 tonnes to the non-food sector) comes from side-streams of the US potato processing sector, and not from starch potatoes, as in the EU. In the absence of an EU import duty, US side-stream potato starch would represent a significant threat to EU potato starch, particularly in non food and lower priced food applications. It should be recalled that in July 2012, the EU quota system for potato starch came to an end and, as such EU potato starch producers are already facing the new challenge of adapting to the

<sup>12</sup> LMC International (2013), Data in USD changed in Euro with the following annual exchange rate: 2009=1.39, 2010=1.33 and 2011=1.28.

new free market system and the threat of a potentially declining supply, and as such a higher price, of starch potatoes. The raw material cost of US side-stream potato starch is close to zero.

**Table 3: EU-US potato starch price comparison (€/T)<sup>13</sup>**

	2009	2010	2011	2012
EU potato starch	[Art.4.2]	[Art.4.2]	[Art.4.2]	[Art.4.2]
US potato starch (non-food)	[Art.4.2]	[Art.4.2]	[Art.4.2]	[Art.4.2]

## Co-products

The significantly higher production of starch in the US, also results in significantly higher production of co-products, such as fibres, germs and proteins (corn gluten meal), also produced during the starch production process. Today the EU starch industry produces 5 million tonnes of fibres and proteins for both animal and human nutrition. The less starch the EU starch industry produces, the less co-products it produces, and the lower the plant's efficiency.

**Table 4: EU-US co-products price comparison (€/T)<sup>14</sup>**

	2010	2011	2012
EU Corn Gluten Meal	[Art.4.2]	[Art.4.2]	[Art.4.2]
US Corn Gluten Meal	[Art.4.2]	[Art.4.2]	[Art.4.2]

## **2. PRESENT AND FUTURE CHALLENGES FOR THE EU STARCH INDUSTRY IN ITS TRADE RELATIONS WITH THE US**

### End to US ethanol subsidies

In the US, subsidies to ethanol production ended in 2011 and production has been declining since then, a trend likely to continue. This gives two reasons to believe that the threat that US starch imports to the EU could pose, should the current import duty be decreased or lifted, may well increase in the future:

- A fall in the demand for maize in ethanol is likely to result in a fall in the price of US maize, and therefore a fall in the price of US maize starch, thus improving the competitive advantage of the US starch industry further;
- The US starch industry production capacity currently producing ethanol, will likely switch to producing more starch and starch products, for which the US industry will be looking to export abroad in the absence of increased domestic demand.

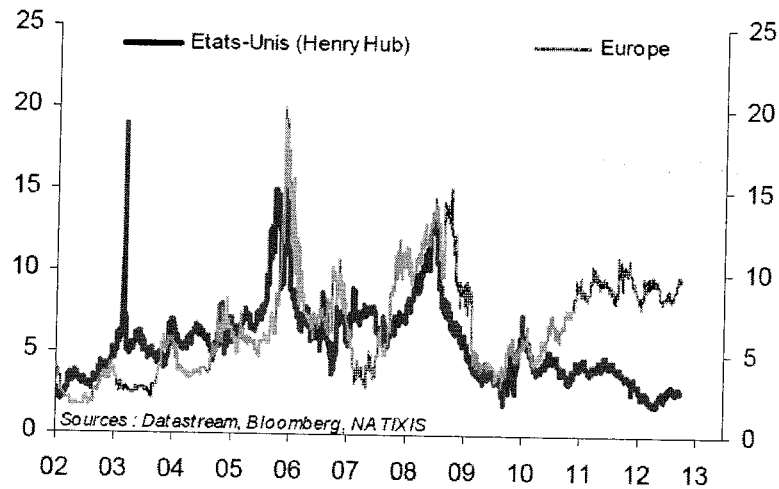
### Energy prices

After raw material costs, the biggest production cost for starch producers is energy. Energy costs in the EU, where carbon emissions are regulated under the Emissions Trading Scheme under which starch is recognised as a Carbon Leakage Sensitive Industry, are already significantly higher than in the US, where the compliance costs associated with environmental legislation are significantly lower. The differences in energy costs between the EU and the US have significantly increased over the past years and are likely to increase further as the US industry will likely turn to non-conventional fossil sources such as shale gas and oil sands.

<sup>13</sup> LMC Native starch margins and price outlook, 2-3

<sup>14</sup> LMC Native starch margins and price outlook, 2-3

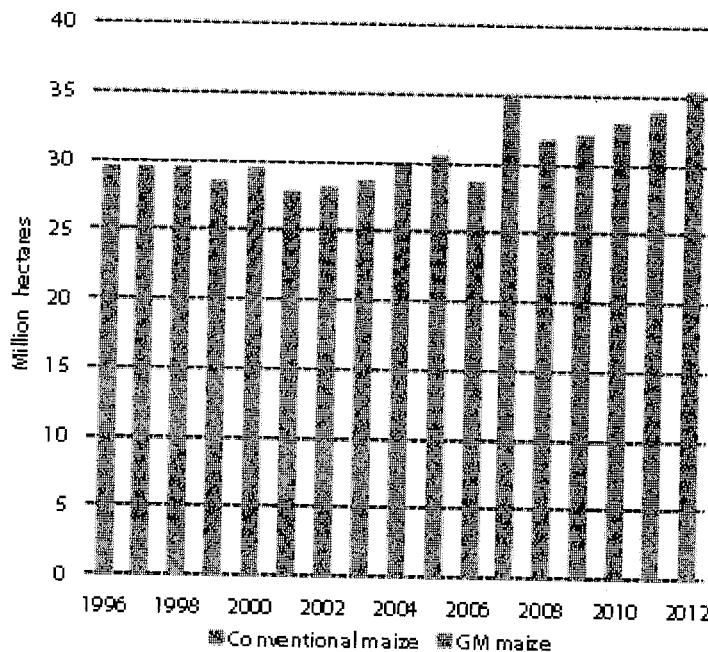
Graph 2: *Natural gas price (\$/MMBTU)- Comparison EU/US<sup>15</sup>*



### The GM issue

US maize starch is made almost entirely from GM maize as shown in the graph below. This ability to use GM maize is one of the factors behind the significantly lower raw material cost that US maize starch producers continue to enjoy.

Graph 3: *Conventional vs GM maize land use in the US*



The outlets of the EU starch industry are split between food (60%) and non-food (40%) applications. As a result of the EU GM regulation, the possibility to use US GM maize-based starch products in foodstuffs in the EU is today extremely limited. However, EU GM regulation and consumer perception may well change in the future.

<sup>15</sup> Natixis (2012) *Gaz de schiste aux Etats-Unis : les Européens doivent prendre au sérieux la menace sur leur industrie*, p.5

Today US maize starch can however already compete in other applications, such as non-food or pharmaceutical, which are not covered by the EU GM regulation and where consumer perception is less critical. If the custom duties were to be reduced, this could be critical for the EU starch industry.

Non-food applications are key for the development of the EU bioeconomy in which the EU starch industry plays a critical role. These innovative and high added-value outlets aim at providing EU alternatives to fossil-fuel based products. In the US, bio-based products benefit from more financial support than in the EU, such as incentives in public procurement supporting the development of the sector, in addition to lower raw material and energy prices.

### High added value products

Lower native starch prices and economies of scale also result in lower US production costs for high-added value starch products. These products are easily transportable.

Specific strategic and high added value products used in food and non-food applications are key for the development of the EU starch industry. These products include: maltodextrin (CN 1702 90 50), dextrin (CN 3505 10 10), dextrose (CN 1702 30 50), mannitol (CN 2905 43) and sorbitol (CN 2905 44 and CN 3824 60).

In non-food applications, where the use of GM maize based starch is already permitted in the EU, in addition to native maize and potato starch, dextrin is also the raw material in a number of industrial applications. Dextrose is used in pharmaceutical applications as well as mannitol and sorbitol. The latter are also raw materials in technical applications of the bioeconomy. The detrimental impact of custom duties reduction for these high added-value products would significantly increase if EU GM legislation or consumer perception on GM came to change and they were permitted in food applications as well.

These strategic and high added-value starch products are also used in infant food applications.

### Rules of origin

Effective and strict rules of origin must be applied in order to avoid trade circumvention between North-American Free trade area (NAFTA) once one benefits from an FTA with the EU. The European starch industry opposes regional cumulation of rules of origin with NAFTA countries. The USA are major producers of competitive starch products which could be exported to the EU through other NAFTA countries benefiting from lower custom duties or relaxed rules of origin.

### Conclusion

As clearly demonstrated above, the US starch industry has a significant price advantage. The EU starch industry would be jeopardised if protection was not maintained. The reduction of the custom duties would have a clear negative impact not only on the starch industry but also the whole EU economy for the following reasons:

- The EU starch industry is an essential market for **EU farmers, using 22 million tonnes of agricultural raw materials**
- It is a **key ingredient** for a growing number of food and non-food applications
- The EU starch industry is a leader in **R&D and innovation**.
- It provides a crucial input into EU **bio-economy**

**The EU starch industry requests the exclusion from EU-US trade negotiations of:**  
**Annex I starch products:** maize germ (CN 1104 30 90), native maize starch (CN 1108 12 00), potato starch (CN 1108 13 00), other native starches (CN 1108 19 90), maize oil (CN 1515 21 90), glucose (CN 1702 40 90), isoglucose (CN 1702 30 10, CN 1702 40 10, CN 1702 60 10, CN 1702 90 30), dextrose (CN 1702 30 50), pure glucose syrup (CN 1702 30 90), fructose syrup (CN 1702 60 95), maltodextrin (CN 1702 90 50) and corn gluten meal (CN 2303 10 11).

**Non-Annex I products:** chemically pure fructose (CN 1702 50 00), dextrin (CN 3505 10 10), modified starches (CN 3505 10 50 and CN 3505 10 90), mannitol (CN 2905 43 00) and sorbitol (CN 2905 44 11; CN 2905 44 19; CN 2905 44 91; CN 2905 44 99 and CN 3824 60 11; CN 3824 60 19; CN 3824 60 91; CN 3824 60 99).





■ Ref. Ares(2013)2034028 - 12/06/2013

**copa\*cogeca**

european farmers

european agri-cooperatives

# Transatlantic Trade and Investment Partnership (TTIP)

Preliminary Impact Assessment

Copa-Cogeca:  
The united voice of farmers and their  
cooperatives in the European Union

Advisory on Pigmeat, Brussels, on 30<sup>th</sup> April 2013

# Index

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## Who are Copa and Cogeca?

**Copa – European farmers**  
Bringing together 57 EU farmers’  
organisations

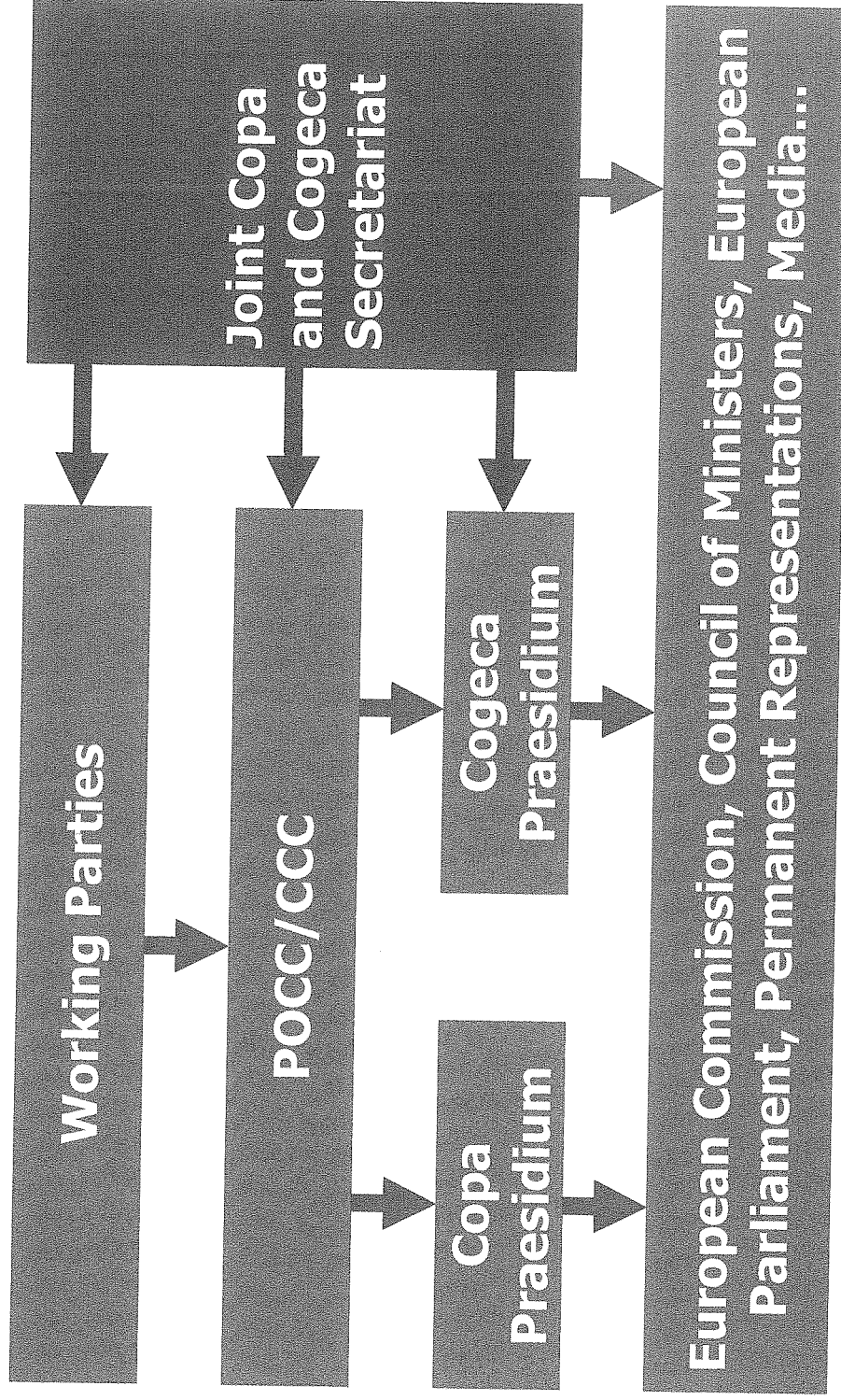
**Cogeca – European agri-  
cooperatives**  
Bringing together 31 EU agricultural  
cooperative organisations

# Who are Copa and Cogeca?

## Copa-Cogeca's mission

- Defending the general interests of agriculture
- Maintaining and developing relations with EU-institutions as well as with representative organisations at EU level
- Finding solutions that are in the common interest

# How is Copa-Cogeca organised?



## TTIP - Time table

- **Strong Political support US (Obama) and EU (EP, Commission)**
- **The EU-US mandate of negotiation should be adopted in mid - June (Trade Minister council meeting);**
- **First round of negotiations: July**
- **End Game: Summer 2015 (2 years)**
- **Elections of the EP - Spring 2014**
- **Change of the EU negotiator (October 2014)**
- **Conference on Regulatory Differences on 10/11<sup>st</sup> April 2013 in Washington**
- **Commission Economic Impact assessment;**

# Copa-Cogeca's preliminary position on the opening of EU-USA bilateral negotiations BILAT(13)2637 (rev.3)

- **Adopted by presidium on 18/19<sup>th</sup> April 2013**
- **Welcome the move forward for a negotiation with EU-US;**
- **Agriculture represents a small part of the transatlantic business (represented 2% of the value of global trade in 2011) and is balanced (excluding Beverages and Tobacco)**
- **The USA is also the 3<sup>rd</sup> biggest provider of agricultural materials to the EU, in particular plant protein where for 4 to 6 months of the year the EU is completely dependent on imports, and fruit. Total agricultural raw material imports amount to 4.3 billion Euros.**

# Copa-Cogeca's preliminary position on the opening of EU-USA bilateral negotiations BILAT(13)2637:3

- **Multilateral negotiations at the WTO**, which continues to be the forum needed to ensure a fair level of competition between the different types of agricultural activity.
- **The issue of GI is crucial** for the EU producers;
- **Mutual recognition of the production standards** which are imposed on producers in the European Union and which go above and beyond SPS measures such as animal welfare, preservation of biodiversity, and the definition of good agricultural and environmental practices.
- **Non-trade barriers and different approaches** (ex: SPS measures - attention is paid to the first link in the chain; whereas in the USA controls are focussed on the finished product).
- **The livestock sector will be the most sensitive** issue during these negotiations because of tariff and non-tariff matters.

# Impact assessment – EU Pig Meat Market

- Transport costs : **13.4 €/100 kg**
- **The average exchange rate applied:**  
  
Average exchange rate 2011: Euros – USA Dollar = 1.392  
Average exchange rate 2012: Euros – USA Dollar = 1.2848  
(Source: European Central Bank)
- **Tariffs applied to the pig meat products in EU:**

(COMMISSION REGULATION (EC) No 1031/2008 of 19 September 2008 amending Annex I to Council Regulation (EEC) No 2658/87 on the tariff and statistical nomenclature and on the Common Customs Tariff)

- 0203 11 10 Meat of swine, fresh, chilled or frozen:  
Carcases and half-carcases **53,6 €/100 kg/net (1)**
- (1) WTO tariff quota: see Annex 7. - € 26,8 €/100 kg/net

# EU Pig Meat Market – Preliminary Impact Assessment

## Current situation:

- The US is a major global producer and exporter of pigmeat.

## Current situation – EU imports from the USA

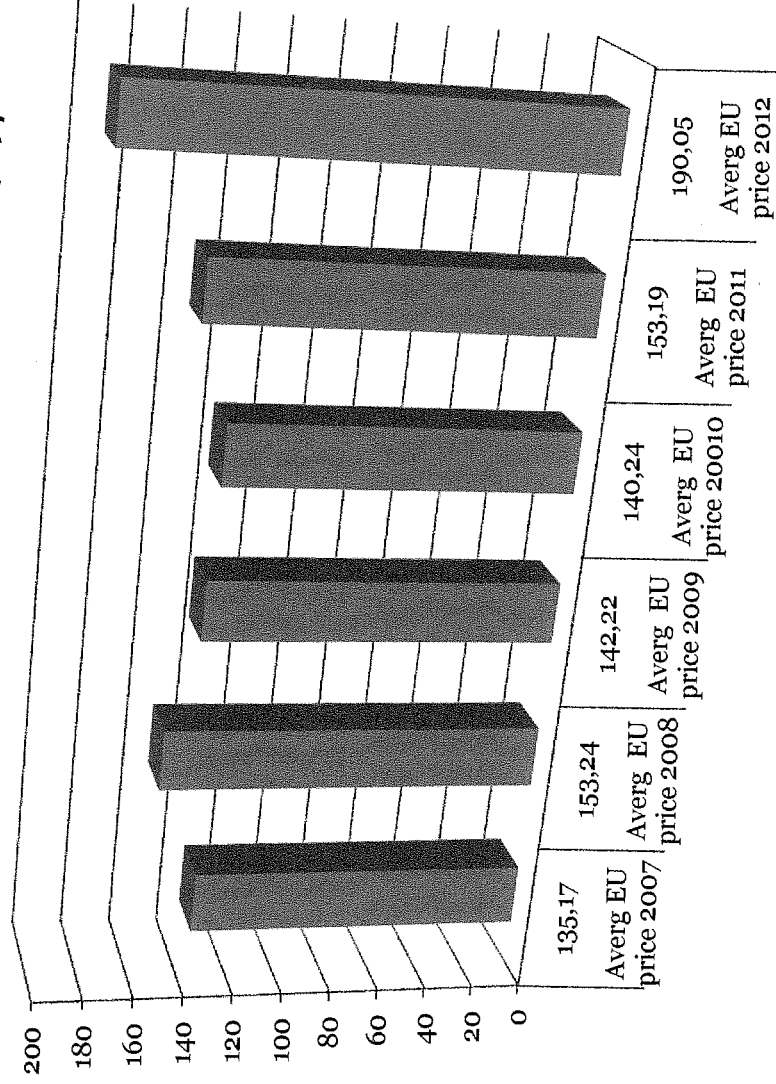
02 - Pigmeat	2006	2007	2008	2009	2010	2011
Quantity in 100 kg	241,896	88,931	215,252	65,136	55,865	13,329
Value (€)	43,162,831	23,080,510	52,360,383	15,756,424	14,760,504	4,108,265

## Current situation – EU exports to the USA

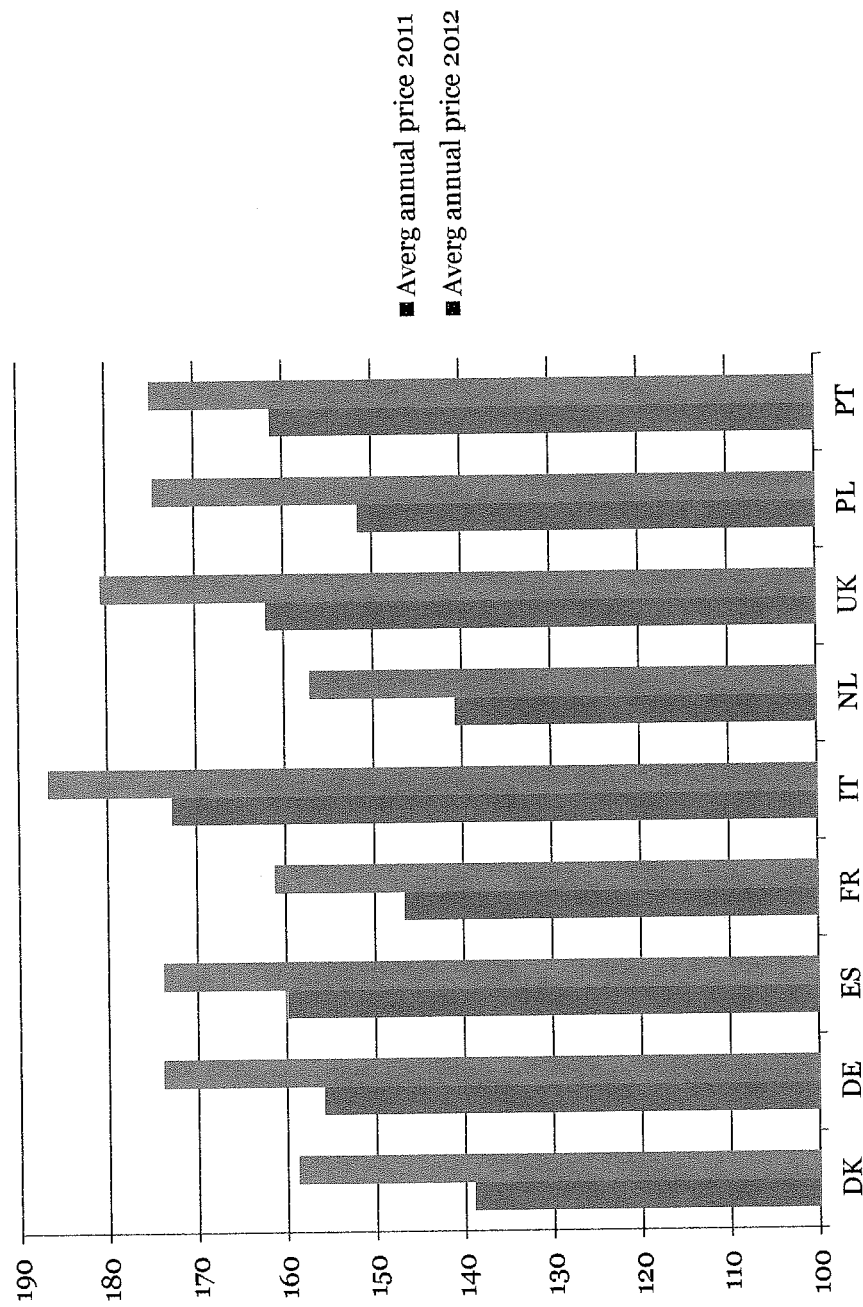
02 - Pigmeat	2006	2007	2008	2009	2010	2011
Quantity in 100 kg	471,255	490,550	468,864	428,726	418,395	417,083
Value (€)	188,759,633	188,724,569	170,980,387	167,017,046	171,499,976	181,266,711

# Price of EU pig carcasses

Price of EU pig Carcasses (€)/100 kg

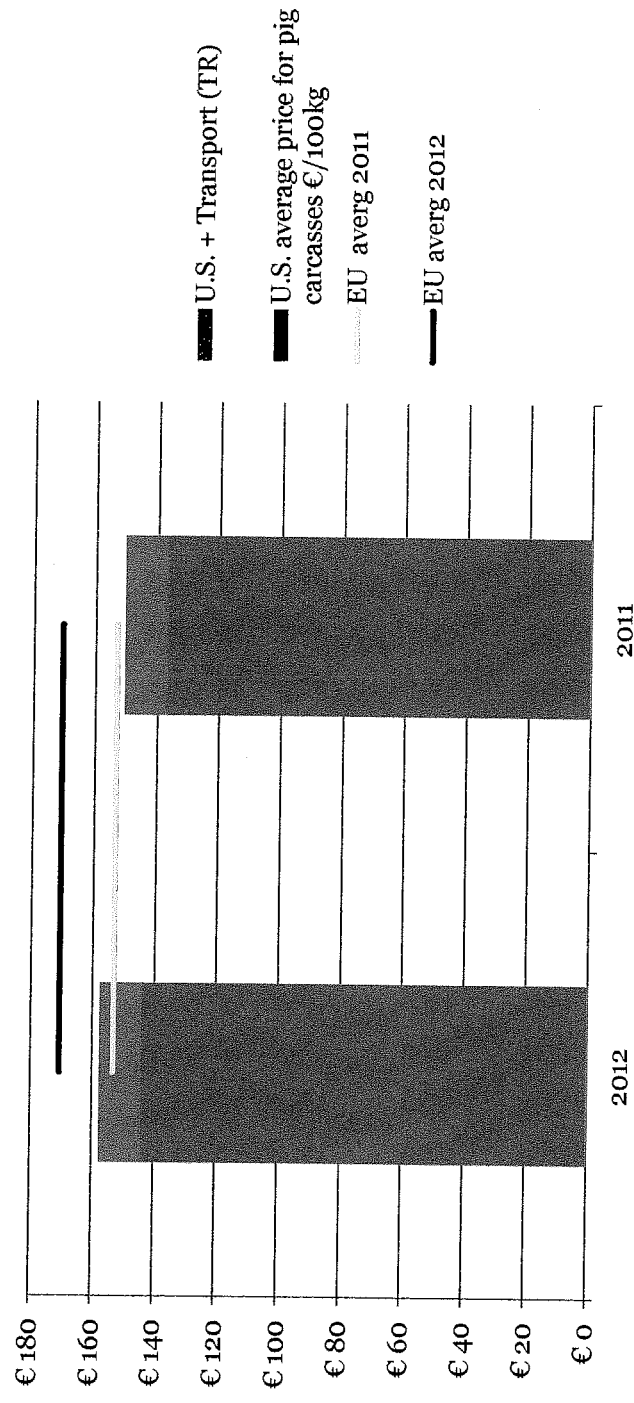


## Average pig carcass price (€/100 kg in 2011 and 2012 in several Member States

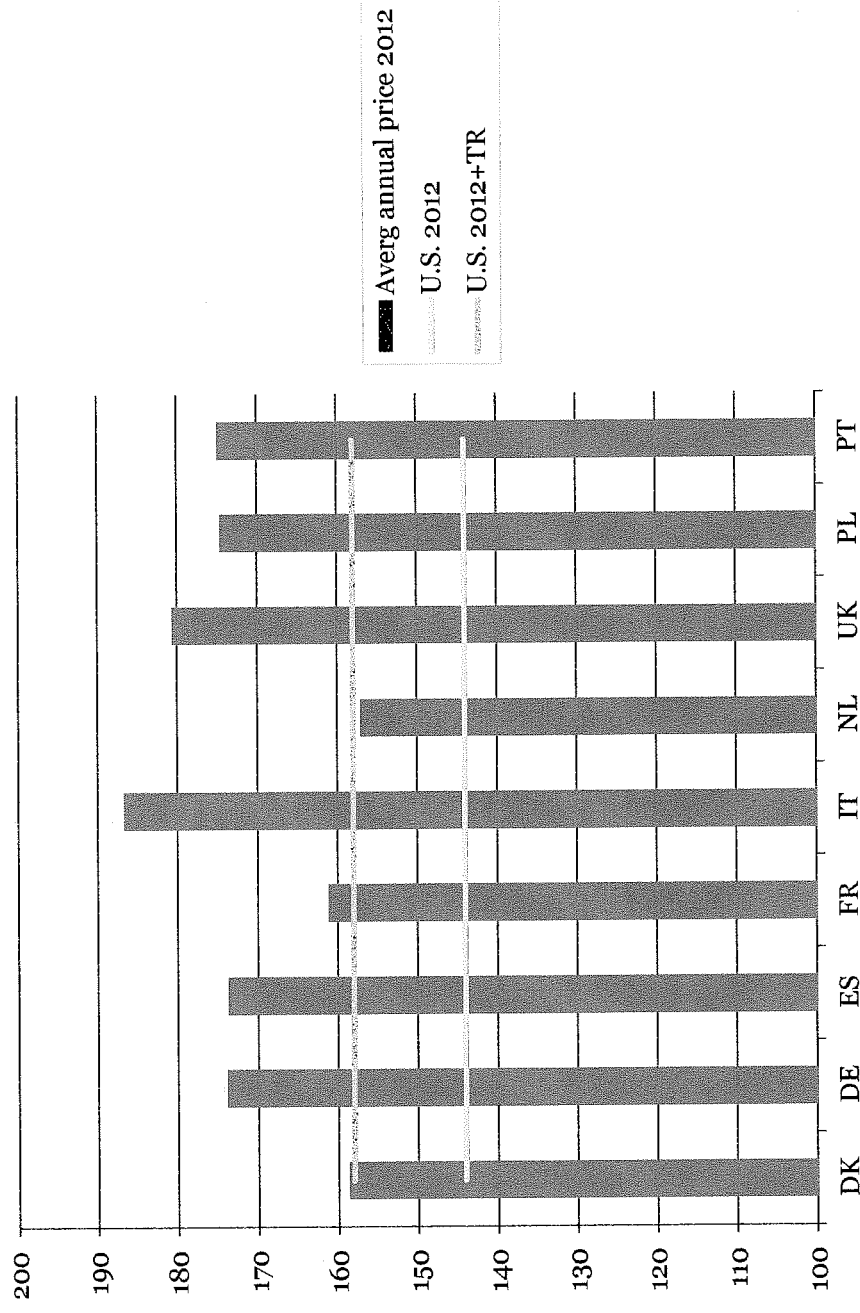


# US average price for pig carcasses in 2011 and 2012

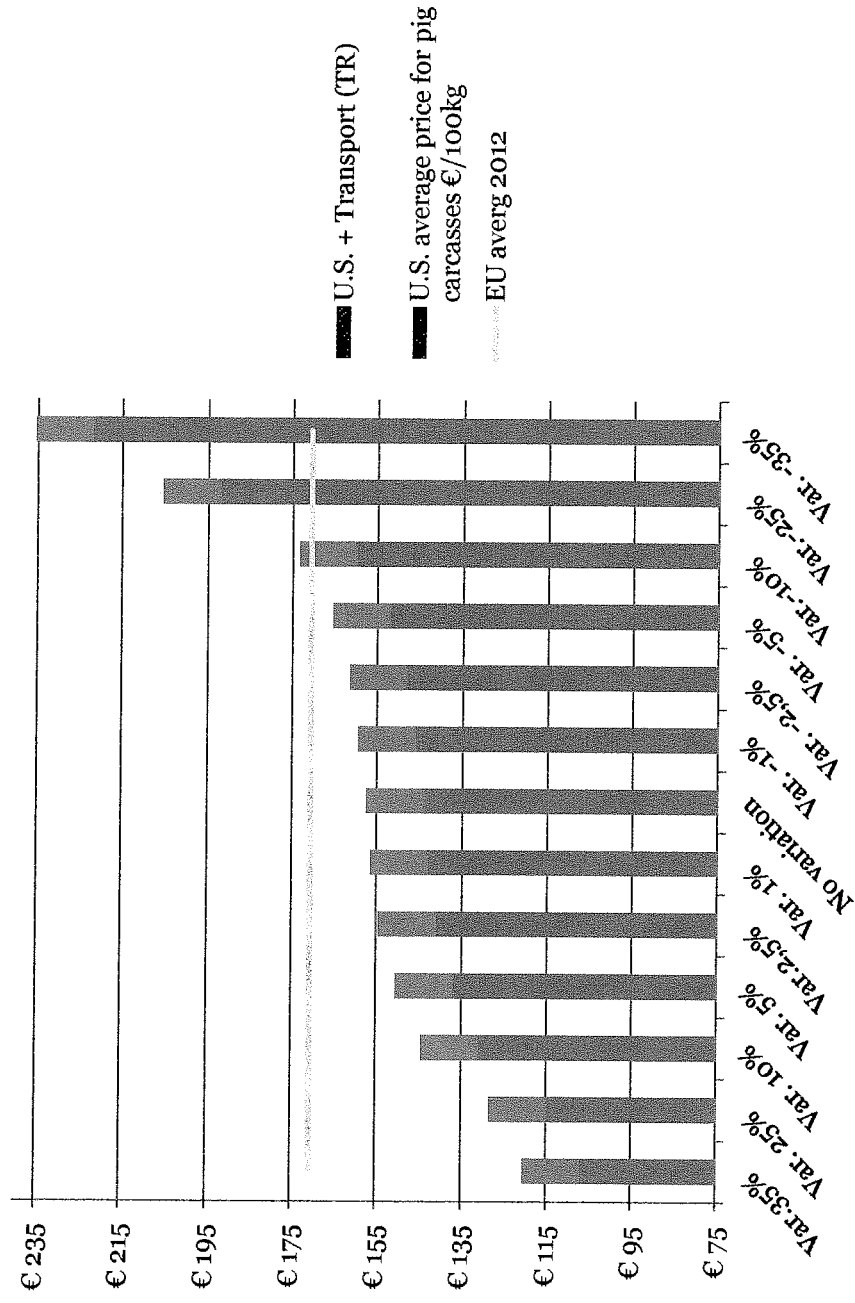
Year	U.S. average price for pig carcasses €/100kg	U.S. average price + Transport €/100kg	US Price + Normal Tariff	EU Price
2012	€ 144	€ 158	€ 211	€171
2011	€ 137	€ 150	€ 204	€153



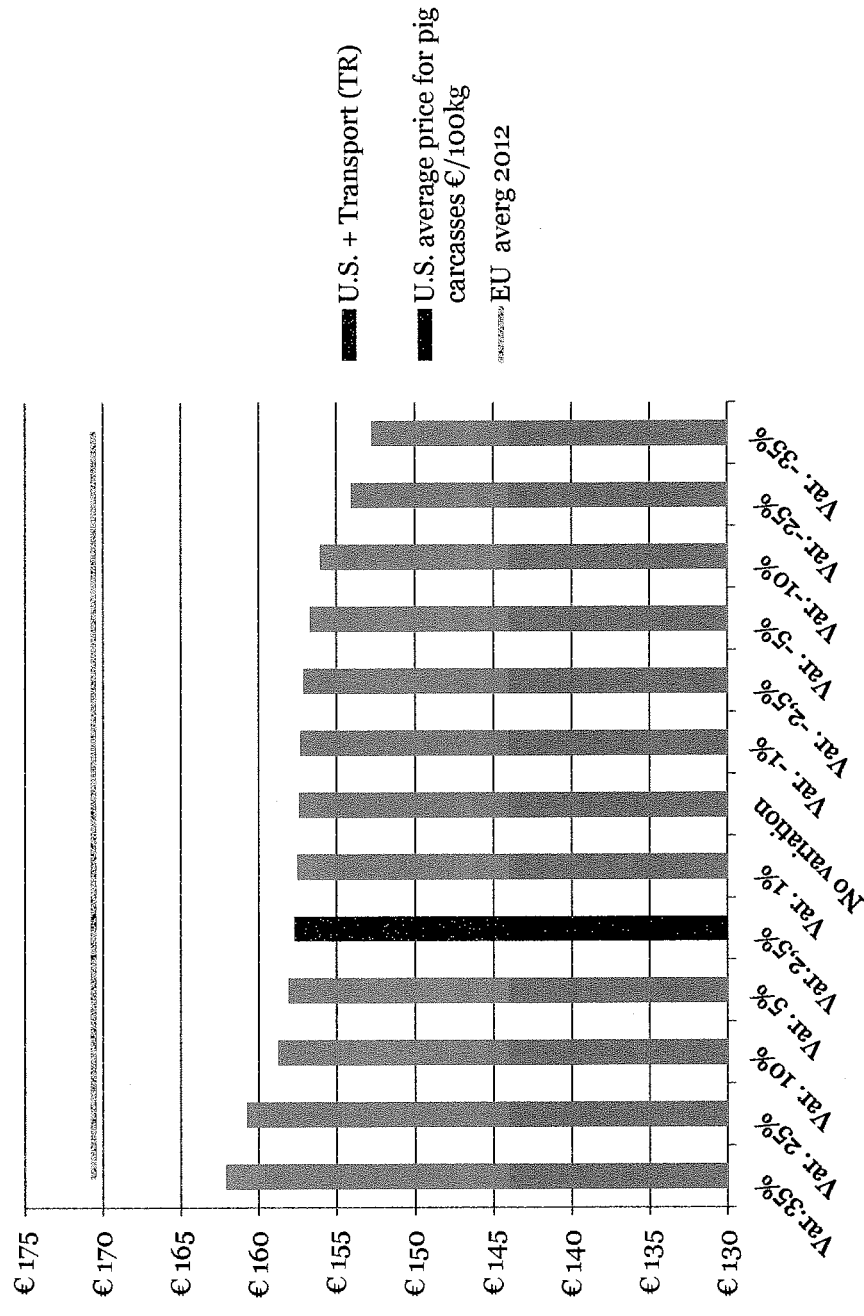
# US average price for pig carcasses in 2012 vs Member States



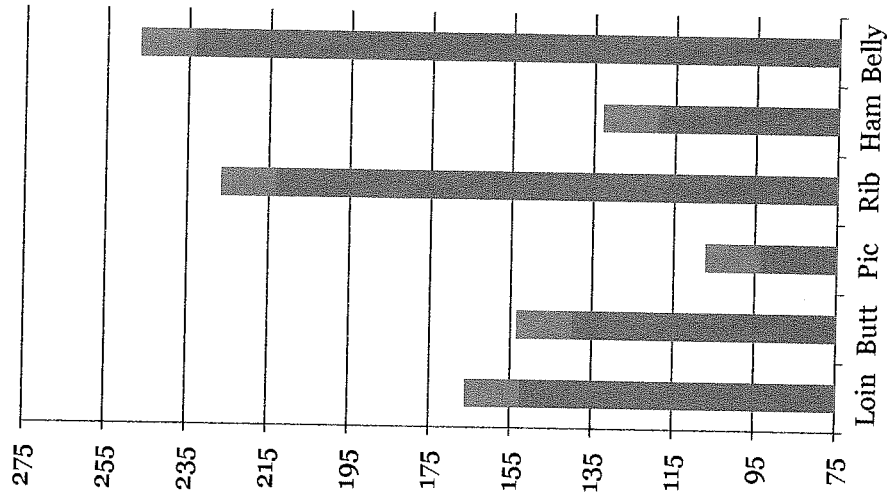
# Exchange rate variations



# Transport cost variations



# US cut out values – Jan-Feb 2013



Cut	2011	2012	2013
<b>UK</b>			
Pork legs	219 €/100 kg	247 €/100 kg	250 €/100 kg
Legs short loin	211 €/100 kg	223 €/100 kg	210 €/100 kg
Short loins	not available	not available	290 €/100 kg
Neck ends (rind on)	222 €/100 kg	241 €/100 kg	235 €/100 kg
Bellies long	232 €/100 kg	254 €/100 kg	255 €/100 kg
<b>Spain</b>			
Cinta de lomo = loin	not available	not available	328 €/100 kg
<b>Italy Modena Market (Dec 2012)</b>			
Loin modena	not available	427.6 €/100 kg	not available
Ham (Coscia refilata per crudo da 10 a 12 kg)	not available	259.2 €/100 kg	not available
<b>Denmark</b>			
Ham (13 <sup>th</sup> Dec)	not available	171.83 €/100 kg	not available

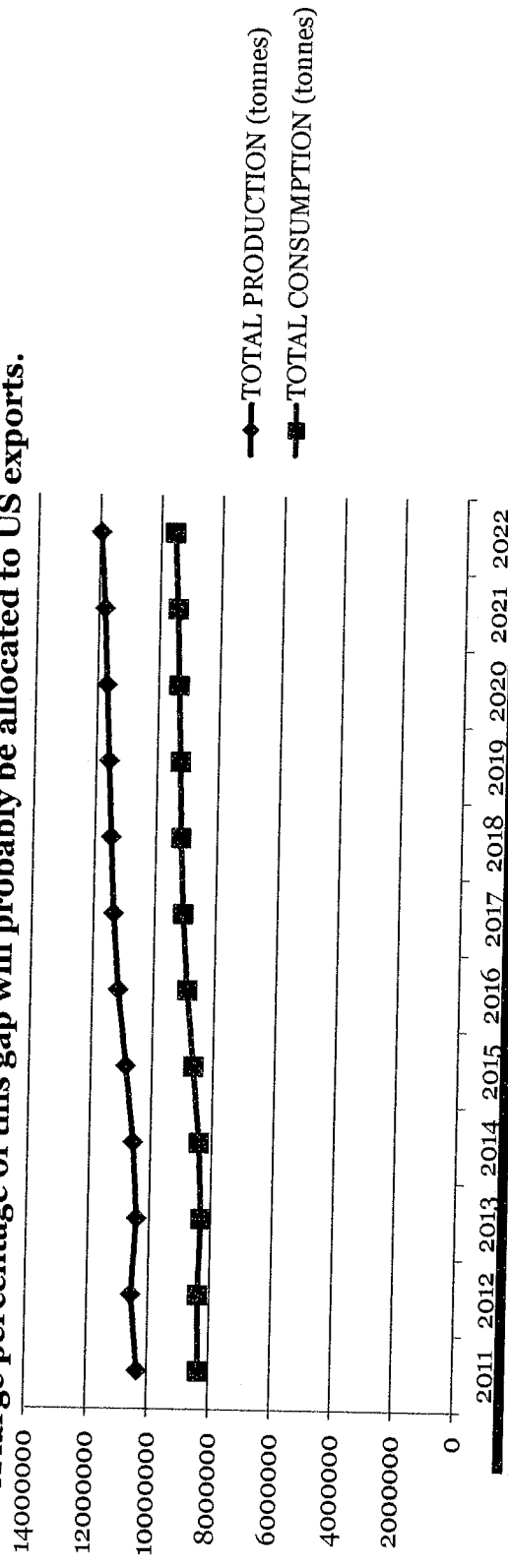
## US primal cutout values

- **No database** that collects national wholesale prices for pork cuts.
- **General comparison** - The cuts do not necessarily match those used in the US and also vary between markets.
- **Complementary nature of the US and EU pig markets**,  
Valorisation of different cuts of meat
- **it is unlikely that US ham would directly compete against Italian ham**, as the latter is a more valuable product
- US prices of specific pig cuts such as “ham”, “belly” and “loin” **are in general very competitive compared to the EU market.**
- **Biggest threat to EU production.**

# Assessment of the export potential of US to the EU

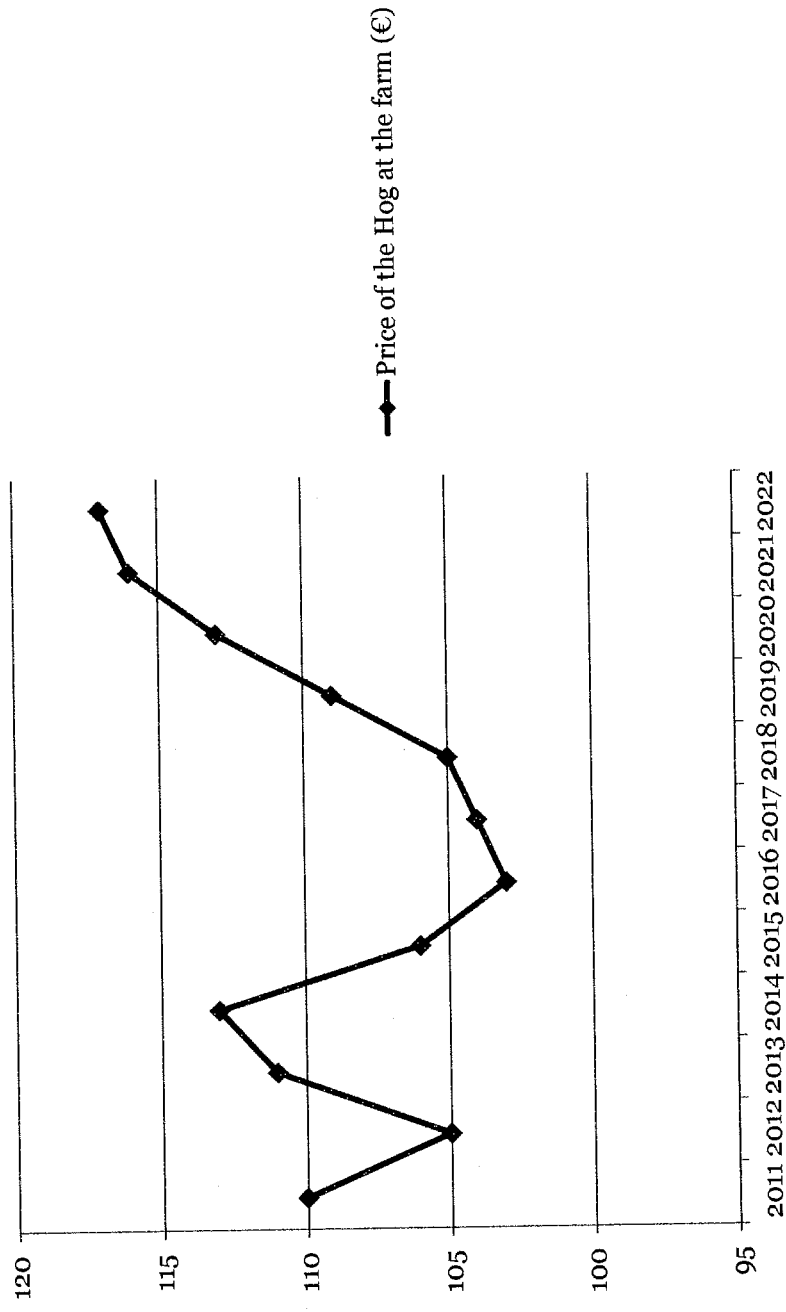
- **US pigmeat production is expected to increase over the next decade due:**
  - to higher net returns and improved forage supplies.
  - predicted fall in feed costs, an increase in productivity for the breeding herd and an increase in slaughter weight.
- **Increase of “per capita pork consumption”**
- **Annual average production increases.**
- **Difference between production and consumption:**
  - In 2015 - 2.19 million tonnes,
  - In 2022 - 2.402 million tonnes.

• **A large percentage of this gap will probably be allocated to US exports.**



# Farm – Gate Hog Prices

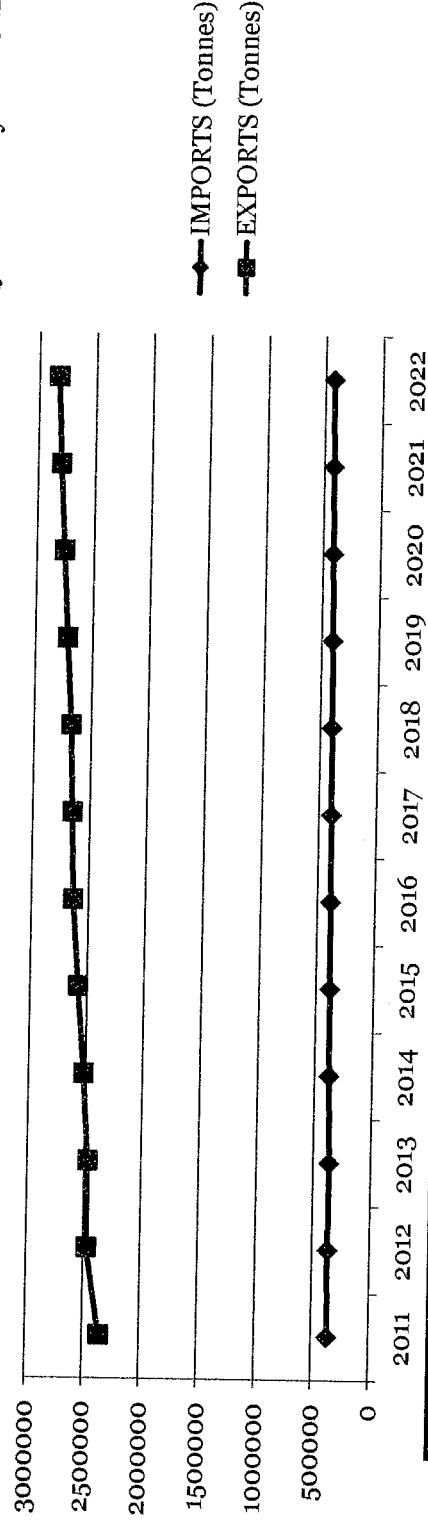
Farm-gate hog prices (€)



# Import/export projections

*The projected rise in US meat exports over the next decade reflects steady global economic growth, a further depreciation of the US dollar, and the continued foreign demand for selected meat cuts and parts from the large US market.*

- **US exports are set to increase to 2.47 million tonnes in 2013,**
- **Increase of US pig meat exports to 2.828 million tonnes in 2022.**
- **In 2015,** the US authorities expect the sector's exports **to increase by 224,000 tonnes** (comp. to 2011).
- **In 2022,** the US authorities expect the sector's exports **to increase by 475,000 tonnes.** (comp. to 2011).
- US net export potential by 2022 (accumulated, considering entry in force by 2015) : 2,589,116 tonnes
- Potential Canada request (according to the press) - (85,000 tonnes - 50,000 tonnes)
- Potential USA request, at least 5 times more (+- 425,000 tonnes)
- This quota is below US export potential, estimated to reach 475,000 tonnes in 2022 (year 2022-year 2011).



# Conclusions

- ✓ The US average pig carcass price is very competitive due to access to new technology, less expensive feed and fewer animal welfare requirements.
- ✓ The US export potential is estimated to reach 475,000 tonnes/year by 2022. This figure is more or less what is expected to be requested by US negotiators during FTA negotiations.
- ✓ The EU and USA value different cuts of the pig. It is very unlikely that the US will export large quantities of pig carcasses to the EU, but they will probably focus on particular cuts.

## Key messages

- EU consumer expects high level standards on animal health and welfare, food safety, food quality (ex. GMO, hormones).
- European citizens expect farmers to implement increasingly expensive and higher production standards while **imported products do not have to meet the same requirements.** This inconsistency needs to be resolved.
- The **management of tariff-rate quotas for sensitive products** must be carried out using import certificates, overseen by DG AGRI, in order to ensure intelligent management of trade flows in order to limit the potential impact on European markets.
- **Labelling of meat** should be taken into account during the negotiations.

# Perspectives

## **Reduction of internal Market**

- FTA Canada and US - How big will the quota?
- Mercosur
- Serious economic crisis in Europe.
- Poultry meat is a serious replacer of red meat

## **Production Cost**

- Huge investments on Animal welfare,
- Volatility on feed price
- Unbalanced bargaining power along the Food Chain

## **Market opportunities**

- Russia (several bans in place, becoming less attractive market)
- FTA Japan, ASEAN countries..... – **When, How much?**

## **Competition**

- **TPP** (USA, Canada, Japan etc...)







June 24, 2013

Ambassador Michael Froman  
United States Trade Representative  
Washington, DC

Commissioner Karel De Gucht  
European Union Trade Commissioner  
Belgium, Brussels

Dear Ambassador Froman and Commissioner De Gucht,

We write to you as representatives of family farm, consumers, faith, public health, development and environment organizations from the European Union and United States. Our organizations promote fair and sustainable food and farm systems in our communities and nations, and share common goals that in many cases cross borders and societies. We embrace multilateralism that is grounded in principles of sustainability, equity and democracy. We demand that you reject calls for the Trans-Atlantic Trade and Investment Partnership (TTIP) to undermine the use of the precautionary principle in setting food safety and public health standards, to give investors power over nations, and to be negotiated almost entirely in secret.

Contrary to the assertions made in a May 20 letter from major U.S. agribusiness and commodity groups, the precautionary principle, which is enshrined in EU legislation and the Lisbon Treaty, encourages rigorous scientific debate along with public input, when setting policy regarding the safety of new and emerging agricultural technologies and food additives. It prioritizes public wellbeing over corporate profits to ensure that products are safe before they enter our food systems and environments.

Those of us in the European Union reject any weakening of the use of the precautionary principle, while those of us in the United States demand that our negotiators not make any proposals that would preclude its use in the future and would remember that the U.S. is already party to treaties that invoke the Precautionary Principle and has incorporated versions of it into U.S. environmental and occupational safety laws.

We have only to look at recent news for evidence of the need for caution:

- The US Food and Drug Administration appears poised to approve the production and sale of genetically modified salmon in the U.S., despite nearly two million public comments to the contrary and the stated refusal of many retailers to sell it in stores. There are serious concerns about the potential environmental impacts if the altered fish should escape into the wild, and as yet unknown public health impacts. Acceptance of US food safety standards as "equivalent" to EU standards under the TTIP would effectively cut off public debate on this contentious new product, as well as other new GMO foods, and compel its sale in Europe as well.

- Ractopamine, a failed asthma drug now used as an additive to increase lean meat production in pork and beef, is associated with hundreds of thousands of cases of animal illness and death. Its use is banned in 160 countries, including the European Union, in large part because of the lack of independent scientific studies assessing its safety for human health. Despite ample reason for caution, the U.S. continues to push EU and other nations to eliminate import bans on meat produced with this questionable additive.
- The EU, for its part, is seeking to overturn the U.S. ban on beef imports from the EU. The United States prohibits the use or import of feed ingredients that include ruminant materials that are known to transmit Bovine Spongiform Encephalopathy, commonly known as mad cow disease. EU policies governing the use of ruminant materials in feed are insufficiently stringent and inconsistently applied to prevent BSE contamination, but the EU is already considering relaxing those standards, which would certainly increase the risk of BSE contamination and transmission.
- The EU may use the negotiations to erode certain important and more stringent U.S. meat safety requirements. The U.S. Department of Agriculture's standards for pathogen levels in meat and poultry products include zero tolerance standards for *Listeria monocytogenes* in ready-to-eat products and *E. coli* 0157:H7 in beef products, while the EU standards do not establish a zero tolerance level for these pathogens. Other U.S. trading partners such as Canada, who have relied on the EU standard, have already challenged this zero tolerance standard.

There is a growing body of evidence of the harm caused by these and similar food technologies to public health and the environment, as well as their pernicious contributions to corporate concentration in agriculture and the consequent weakening of rural farm economies. Local communities throughout the EU and US are rebuilding food and agriculture systems along different lines to produce healthier outcomes for consumers, farmers and our environments. Their right to do so must not be diluted by the TTIP or any other pact.

We also object to the inclusion of investment provisions in the TTIP that would empower investors to sue sovereign nations over rules or conditions that may reduce their expected profits. We have observed the results of these investor-state disputes resulting from other agreements, many of which are direct challenges to state and national laws designed to protect the environment or public health. We challenge anyone to demonstrate why the inadequacies of our respective legal systems justify such an undemocratic and intrusive provision in this pact.

Finally, we are alarmed that the TTIP negotiating mandates do not require the publication of draft negotiating texts and fail to guarantee an informed public debate on the nature of the commitments under the agreement. Many of our organizations have submitted comments on the TTIP or participated in meetings with trade officials charged with starting the negotiations. We fear we will be forced, however, to rely on leaked bits of text to assess the degree to which our proposals are being addressed, which is a far cry from the standards of democracy and transparency that we expect from public policy.

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All proposals, negotiating texts and supporting documents should be published throughout the TTIP negotiations in as close to real-time as possible.

We are conscious that the concerns raised here are not only an issue for our communities or nations as the rules set in the TTIP could eventually extend to other bilateral and multilateral trade agreements. We will oppose any trade agreement that undermines that process of rebuilding local food systems, whether in our communities or abroad.

Sincerely,

Agriculture and Rural Convention, ARC 2020 (EU)

Arbeitsgemeinschaft bäuerliche Landwirtschaft (AbL) (Germany)

Center for Food Safety (US)

Center for International Policy Americas Program (US)

Citizens Trade Campaign (US)

Confédération Paysanne (France)

Corporate Europe Observatory (Belgium)

E3D- Ecologie Développement Durable Démocratie (France)

Fair World Project (US)

Fondation Nicolas Hulot (France)

Food & Water Watch (US)

Food & Water Europe

Forum Umwelt & Entwicklung (Germany)

Friends of the Earth Europe

Friends of the Earth France

Friends of the Earth US

GardenAfrica (UK)

Génération Futures (France)

Groupe PAC 2013 (France)

Heinrich Boell Stiftung North America

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Institute for Agriculture and Trade Policy (US)  
International Federation of Organic Agriculture Movements (Global)  
Ligue pour la protection des oiseaux (France)  
Local to Global Advocates for Justice (US)  
Maryknoll Office for Global Concerns (US)  
Mouvement Rural de Jeunesse Chrétienne (France)  
Organic Consumers Association (US)  
PowerShift (Germany)  
Save Our Seeds (EU)  
Send a Cow (UK)  
Soil Association (UK)  
Solidarité (France)  
United Church of Christ Justice and Witness Ministries (US)  
World Family UK

cc: Mr. L. Daniel Mullaney, Assistant US Trade Representative for Europe and the Middle East  
Mr. Ignacio Garcia Bercero, Director, Neighboring Countries, U.S. and Canada, EC Directorate on Trade

Enregistrement et attrib. merci.

**From:** Marie-Christine Ribera [mailto: [REDACTED]@cefs.org]  
**Sent:** Tuesday, June 04, 2013 10:03 AM  
**To:** DEMARTY Jean-Luc (TRADE)  
**Subject:** TR: CEFS position - ASA submission + 2 autres sujets

Monsieur Le Directeur Général,

Cher monsieur Demarty,

Faisant suite à votre intervention dans le cadre du groupe parlementaire LUFPIG du 15 mai, je me permets de vous envoyer la position du CEFS en vue des négociations futures UE/USA ainsi que celle de nos homologues américains. Comme je l'indiquais à la réunion du 15 mai, les positions des industriels sont identiques des 2 côtés de l'Atlantique. Le sujet devrait être facile à traiter.

Je profite de ce message pour vous faire part de nos demandes/commentaires sur 2 autres points liés à l'OMC :

[Outside the scope of the request]

[Outside the scope of the request]

J'envoie ce même message à la DG AGRI, Messieurs Plewa et Clarke.

Je me tiens à votre disposition pour tout complément d'information si vous le souhaitez.

Bien à vous,

Marie-Christine RIBERA

Director General

**CEFS n Comité Européen des Fabricants de Sucre**

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12



May 2013

## CEFS position on the EU-US Transatlantic Trade and Investment Partnership

Ahead of the negotiations between the EU and the US on the Transatlantic Trade and Investment Partnership (TTIP), CEFS (Comité Européen des Fabricants de Sucre) **underlines that no concessions on sugar or sugar products should be granted to the US.**

**The EU's sugar market is balanced** and there is no justification for further import concessions which were never foreseen when the sugar reform was agreed in 2006. Since the 2006 reform, 83 factories – almost one in two – have closed in order to balance the EU sugar market after new import concessions had been granted; 22,000 direct jobs have been lost and 150,000 farmers have ended beet cultivation. These losses should not have been in vain and additional concessions would entail further hardship for workers at a time of considerable socio-economic crisis. Beet sugar is produced in 106 factories across 18 member states in Europe, supporting 160,000 beet growers and 180,000 direct and indirect jobs, and the EU-US TTIP should not have a negative impact on Europe's industry.

**Further imports can undermine the preferential access granted to the developing countries.** Increasing imports from the US would lead to a surplus on the EU market, at a time when imports are already increasing. This is only set to continue, for example, the FTAs with Central America, Colombia and Peru will see an additional 300,000 tonnes of sugar and sugar products on the market in the next years with an annual increase in the future years. Similarly, as the EU intended, the EU has become one of the world's largest net imports of sugar, mainly from developing countries. ACP/LDCs have duty-free and quota-free access to the European sugar market. According to the latest FO Licht estimation, these imports are set to increase from 1,900,000 tonnes in 2011/2012 marketing year to 2,450,000 tonnes in 2014/2015. CEFS reminds the Commission that the US does not grant such import concessions and any concessions to the US would further undermine the concessions granted to these countries.

**American Sugar Alliance<sup>1</sup> and CEFS are both asking for the exclusion of sugar and sugar products.** Both the US and the EU are net importers. Any market concessions on sugar and high sugar content products can be detrimental to the European sugar industry. Our American counterpart, the American Sugar Alliance (ASA) shares this view and is asking the exclusion for sugar and sugar products from these negotiations (see ASA submission attached).

**It is crucial for the European sugar industry that effective and strict rules of origin for sugar and high sugar content products are maintained** and that the rules of origin currently applying in the GSP are resumed in the TTIP with the US in order to avoid loopholes and circumventions of the rules. This is particularly important because the US is part of the NAFTA and imports huge quantities of sugar from Mexico every year. Furthermore the US also apply strict rules of origin for sugar.

<sup>1</sup> American Sugar Alliance submission from 10<sup>th</sup> May 2013 to the Office of the United States Representative regarding the public consultation on the EU-US TTIP (see document attached).

## Why the EU should not grant concessions to the US?

### 1. The US is a huge net-importer of sugar

The US ranks among the top sugar producers, and is one of the few countries with significant production of both sugar beet and cane. However, the **US is a huge net-importer of sugar**. According to the International Sugar Organization (ISO) the US imported a total of 4,468,043 tonnes of sugar and exported about 220,000 tonnes of which 12,464 went to the EU, in 2011<sup>2</sup>.

Unlike the US, the EU does not apply the provision of a "net exporter status." A country has to be a net exporter in order to get access to the US sugar market. This does not allow imports from net-importing countries and therefore limits the possibilities for swaps (importing sugar for internal consumption and exporting domestically produced sugar). As a result, it is of utmost importance that the EU, also a net-importer, does not grant additional concessions to the US.

### 2. The US sugar market is more regulated than the EU sugar market

The US sugar market applies similar sugar market tools compared to the EU. These comprise import tariffs and a quota system for beet sugar. However, beyond that, the US applies additional sugar market regulations which do not exist (anymore) within the EU. Firstly, the government operates a price support programme by managing the amount of sugar that can be sold on the domestic market through marketing allotments for not only US producers. Imports as well are controlled through tariff rate quotas (TRQ) and other import quotas for third-country suppliers. Secondly, this is underpinned by a loan system, whereby the government acts as a buyer of last resort. Through this, the US establishes a price guarantee for sugar. Thirdly, the US has implemented the Feedstock Flexibility Program for Bioenergy Producers (sugar to ethanol programme) from the 2008 onwards. Under this programme, the USDA can buy excess sugar from the market pre-emptively and divert it to ethanol production. Fourthly, the United States Department of Agriculture (USDA) also has re-export programmes in place which establish a licence against which a refiner can import world-priced sugar, provided a corresponding amount of refined sugar is exported onto the world market.

The US also has a system of price support called Market Price Support (MPS). This consists of transfer to producers from consumers arising from the difference between the domestic price of sugar and the reference price of world market imports of raw sugar. This sugar specific support operates within a broader framework of farm support measures which are administrated by the USDA.

### 3. US sugar beet is GM

The US sugar beet industry coordinated an industry-wide conversion to genetically modified sugar beets. In the context of sanitary and phytosanitary measures, the US could demand free market access for GMOs. If the US is allowed the use GM beet and the EU is not, this will place the European sugar industry at a competitive disadvantage.

### 4. US sugar industry shares the EU sugar industry's view

<sup>2</sup> The country imports large quantities of raw sugar (2.175.969 tons in 2011) particularly from huge sugar exporters such as Brazil, Australia, Guatemala, South Africa and Dominican Republic and important quantities of white sugar (2.292.074 tons in 2011) especially from Mexico. Mexico, has had unlimited access to the US market since 2008 under the NAFTA Agreement. The US also has trade agreement with the Dominican Republic and the Central American Free Trade Area. In addition a duty free TRQ has also been granted to Peru, however the country must have a trade surplus of sugar to qualify for access under the TRQ.

In the submission of the American Sugar Alliance (CEFS counterpart) to the Office of the United States Representative regarding a public consultation on the agreement, the ASA asked the exclusion of sugar and sugar-containing products. According to the ASA any market access concessions on sugar would be detrimental to the US and EU sugar industries and to the developing countries that depend from their respective programs to provide remunerative markets to their exports (for further details, please see the ASA submission attached).

### **Why strict rules of origin for sugar and sugar products must be maintained?**

The US applies strict rules of origins, for example in the North American Free Trade Agreement (NAFTA), a product is said to originate in the free trade area when it is grown, harvested, wholly produced, or substantially transformed in the free trade area. Refined sugar or molasses made from imported raw sugar does not originate, namely, refining does not confer origin. In order for sugar to originate, all processing of sugar cane or sugar beets must take place in NAFTA territory. The unprocessed cane or beets may be imported, but they must be processed or refined in NAFTA territory and the "*de minimis*" provision does not apply to sugar. To qualify for NAFTA preference, 100 percent of the sugar must be NAFTA in origin<sup>3</sup>. Consequently, it is more than important for the European sugar sector to maintain strict rules of origin for sugar and products with high sugar content. The current GSP rules of origins should be used as a basis, in particular:

- 1. Refining should never confer the origin**
- 2. The complete GSP-list of insufficient operations to confer the origin must be resumed.** These are as follows: operations to colour or flavour sugar or form sugar lumps; partial or total milling of crystal sugar; simple mixing of products, whether or not of different kinds; mixing of sugar with any material.
- 3. The maximum level on non-originating sugar in processed products should be fixed in % of the weight of the final product and at a low level, maximum 20%.**
- 4. Sugar and sugar products must be excluded from cumulation with others free trading partners.** This includes especially cumulation with NAFTA, Peru, Central America (Costa Rica, El Salvador, Guatemala, Honduras and/or Nicaragua) and the Dominican Republic. The list of insufficient operations to confer the origin must also be applied in the case of cumulation.

<sup>3</sup> [www.fas.usda.gov](http://www.fas.usda.gov) FAS-online: NAFTA Agriculture Fact Sheet : rules of origin.



## **SUBMISSION OF THE AMERICAN SUGAR ALLIANCE**

### **Office of the United States Trade Representative**

#### ***Request for Public Comments: Proposed Transatlantic Trade and Investment Partnership (Docket: USTR-2013-0019)***

**May 10, 2013**

The American Sugar Alliance (ASA) appreciates the opportunity to submit these comments concerning the proposed Transatlantic Trade and Investment Partnership (TTIP), a free trade agreement between the U.S. and the European Union (EU). The ASA is the national coalition of American sugarbeet and sugarcane growers, processors, and refiners.

The domestic cane and beet sugar industry serves two critically important roles for our nation. First, we supply American consumers with a safe, reliable, and affordable source of an essential ingredient in our nation's food supply. Sugar is used as a natural sweetener, preservative and bulking agent in 70% of our food manufacturing. Second, the U.S. sugar industry provides for 142,000 jobs across America and generates over \$19 billion annually to the U.S. economy. Many of the jobs and businesses are in highly vulnerable rural areas.

The U.S. sugar industry is among the most efficient in the world. According to LMC International, the U.S. is the 20<sup>th</sup> lowest cost of the 95 countries it studied. American sugarbeet growers are the lowest-cost beet sugar producers in the world.

Nonetheless, our industry has had to close a large number of facilities in order to survive. Half of all U.S. sugar operations shut down between 1985 and 2010. Further consolidation would threaten the domestic industry's ability to provide a safe and reliable supply of sugar, carefully tailored to the complex needs of U.S. food manufacturers and consumers, and cause further distress in many hard-pressed rural areas.

In order to operate the current sugar policy at no cost to the taxpayer, as Congress intended, supply and demand must be delicately balanced. Thus, our overriding objective in TTIP and other trade negotiations is to ensure that they do not undermine the effective, no-cost operation of the U.S. sugar program, which we believe has served U.S. farmers, processors, taxpayers, and consumers well.

As a result of the EU sugar reform introduced in 2005, there has been a significant reduction in EU production of sugar. Nonetheless, the EU, which consists of 27 member countries, is still the world's third largest producer of sugar, behind only Brazil and India. Over the 5-year period from 2006/07 to 2010/11, EU production averaged nearly 16 million metric tons, about double U.S. sugar production (see Table 1).

From the 1970's, when a common policy for sugar was introduced, until the reform was put in place, the EU was one of the world's major sugar exporters, averaging 5-6 million tons per year in the latter part of that period. The EU accomplished this feat through the maintenance of high support prices, extensive export subsidies, and provisions fostering the dumping of domestic sugar not eligible for export subsidies on the world market at much lower prices. The reform, driven in part by a WTO finding that the extent of export subsidization was far beyond that permitted by its WTO commitments, has transformed the EU into a net importer (albeit one that still may make use of export subsidies). EU imports averaged about 3.2 million metric tons over the 2006/07-2010/11 period while exports averaged 1.8 million tons. The evolution of the EU sugar industry and the continuing role of subsidies in EU sugar policy is discussed further on pp. 5-6.

Given that the U.S. and the EU are both large net importers of sugar and that both have made extensive market access commitments in various trade agreements to the benefit of developing countries, there would appear no legitimate commercial reason to negotiate further market opening on sugar between the two. This conclusion is not just that of ASA but also of its counterpart organization in the EU, the CEFS (Comité Européen des Fabricants de Sucre). In a statement submitted to the European Commission in May 2012 (see Attachment A), CEFS argues against the inclusion of sugar and sugar containing products in any trade agreement with the U.S.

### **U.S. Sugar Policy, Industry: Current Situation**

While both U.S. and world market sugar prices were at uncharacteristically high levels in 2010 and 2011, this situation has changed dramatically over the past year, especially in the U.S. where sugar prices have plummeted more than 50 percent. In fact, when transport costs are taken into account, U.S. prices are now actually below world prices.

This situation is much more consonant with the history of the U.S. sugar market than the higher prices experienced in a few recent years. Charts 1 and 2, which show the evolution of U.S. raw and refined prices since 1997, as well as this recent downward trend, show that typically both raw and refined prices have hovered about, or plunged below, the forfeiture range – i.e., the price range at which forfeiture of sugar stocks to the government becomes more attractive than redeeming loans from USDA. It is also in line with the initial, and widespread, expectations as to the effects of completely opening the U.S. market to Mexican sugar imports in 2008.

The U.S. market is now awash in sugar, with a stocks-to-use ratio variously estimated at 18-22%, much higher than the 14.5% deemed by USDA to be appropriate for the proper operation of the program and at levels not seen since the 2000-2001 period when over a million tons of sugar were forfeited to USDA.

In order to assess properly the likelihood of oversupply in the U.S. market, the combined U.S. and Mexican supply and demand picture must be consulted since the free flow of sugar across their borders is now in play. Current supply-demand estimates in Chart 3 show that once again this combined market has moved markedly into the more typical condition of surplus. Combined U.S.-Mexican sugar production, plus U.S. import commitments resulting from trade agreements, is now estimated to exceed sugar consumption in the two markets by more than 1 million metric tons.

Chart 4 shows the evolution of the world sugar market prices over four decades. It reveals some spectacular spikes, but overall a chronically depressed market.

Chart 5 shows that the world average cost of production averaged 51% more than the so-called world price during 1989-2008. This “dump market” results from the practice, prevalent among sugar exporting countries, of maintaining their domestic prices at levels well above world market prices or otherwise subsidizing sugar producers and dumping their surplus onto the world market.

Chart 6 shows average wholesale refined sugar prices in major consuming countries, as compiled by the International Sugar Organization, are more than 60% above the world price, and well above current U.S. prices.

Many of these countries also have preferential arrangements that enable them to sell a substantial portion of their production at more remunerative prices to the U.S., EU, and other markets. Thus, the world market becomes very much a residual, or dump, market.

Under these circumstances (despite the current and very atypical proximity of U.S. and world market sugar prices), the U.S. will almost certainly remain an attractive market to foreign sugar exporters in the future – one to which they are likely to direct as much of their production as is possible.

### **The Impact of Existing Trade Policy Commitments**

As a result of market access commitments already entered into by our government in the WTO, NAFTA, CAFTA, and other FTA's, imports now account for 25-30% of U.S. sugar consumption and present a real threat of over-supplying the U.S. market, especially in years of favorable domestic production. Moreover, implementation of the Colombia and Panama FTA's will bring additional sugar imports of about 60,000 metric tons into the U.S. market annually. Demands for

additional sugar market access commitments are being made in the TPP negotiations and, if TPP expands (as expected) to include other countries in the Asia-Pacific region (such as major sugar producers Thailand and the Philippines), these demands will likely accelerate. The U.S. sugar program – and our industry – cannot survive in the face of continuing piecemeal giveaways of our market.

The fact that, since January 1, 2008, all constraints on imports from Mexico have been removed has introduced a large element of uncertainty and potential instability into the U.S. market. As depicted in Chart 7, imports of sugar from Mexico have risen sharply since 2008, averaging 1.1 million metric tons over the past three years, and are expected to reach an extraordinary 1.5 million tons in the 2012/13 crop year.

Several factors suggest that Mexican exports will continue to rise in the coming years:

- The dramatic increase in HFCS use by the Mexican food industry, especially the beverage industry, replacing domestic sugar and making more sugar available for export. HFCS consumption has risen from 653,000 metric tons to 1.720 million tons since 2008/09 and now accounts for about 70% of sweetener use in their beverage industry.
- Mexican production is expected to reach a record level of 6.5 million metric tons this year, far above the levels of the previous 5 years. This level could well prove to be the norm whenever weather conditions are favorable.
- Finally, despite information to the contrary from the Mexican sugar industry as to the existence of shortfalls, Mexico has imported sugar every year since 2008. Imports of nearly 900,000 tons in 2010/11, for example, facilitated record exports to the U.S. the following year. The result has been to create an artificial surplus which has been exported to the U.S. The resulting “substitution” of foreign sugar for Mexican sugar greatly increases the uncertainty surrounding Mexico’s sugar exports to the U.S. and raises serious questions about this practice under NAFTA.

It should be pointed out that Mexican sugar production is, in effect, heavily subsidized by the Mexican government. Less than ten years ago, the Mexican government owned mills accounting for 50% of sugar production. Currently, government ownership still accounts for about 20% of production. Historical experience makes clear that the Mexican government will intervene to prevent the social instability that would result from any loss of production capacity.

We would also point out that in years when additional sugar supplies are needed to meet U.S. domestic demand, this need can be met by increasing existing TRQ’s in accordance with the provisions of the Farm Bill. Table 2 shows that this has indeed been the case with TRQ increases (above the minimum required by the WTO and FTA’s) totaling 2.165 million short tons just since 2008/09.

Under the circumstances described above, any additional trade concessions on sugar would, barring major, unfavorable weather events in the U.S. or Mexico, create an unacceptable risk of generating loan forfeitures or triggering the Farm Bill provision that requires that USDA facilitate the conversion of surplus sugar in the U.S. market into ethanol. Both outcomes (but especially forfeitures) would lead to substantial, unforeseen federal government expenditures – a most unwelcome result given the current budget situation.

### **EU Sugar Reform and the EU Sugar Industry**

As noted earlier and shown in Table 1, the EU is a major producer of sugar but, in recent years, a substantial net importer, with net imports averaging about 1.4 million metric tons over the most recent five year period. Prior to the 2005 reform, EU sugar prices tended to be far higher than those in the U.S. Since reform, the picture has been mixed (see Chart 8), reflecting among other things, the difficulty experienced by EU officials in administering the new policy. EU prices were well above U.S. prices from 2006 until early 2008, about the same in late 2008-2009, well below U.S. prices (and world prices) in most of 2010-11, and are currently far above U.S. prices.

It should be noted that relative prices in the U.S. and EU are much influenced by exchange rates (but note that Chart 5 uses the current rate throughout). Since the reform, dollar-Euro exchange rates have ranged from 1 Euro = \$1.20 to 1 Euro = \$1.60; since the inception of the Euro in 1999, this rate has ranged from \$0.80 to \$1.60. Currently, the rate hovers around 1 Euro = \$1.30.

**EU Sugar Reform.** The basic elements of the original EU policy were:

1. An intervention price which triggered government purchases;
2. A production quota system consisting of three tranches:
  - A, for domestic use;
  - B, for export via export subsidies; and
  - C, for export without subsidies.

This policy, which unleashed a flood of subsidized sugar exports onto the world market, was subject to great criticism internationally and in 2004 a WTO panel found the amount of B sugar to exceed WTO commitments and C sugar exports to benefit from an implicit, prohibited subsidy. The system was further undercut by the EU's introduction of the EBA (Everything But Arms) program, which promised unfettered access to the EU sugar market for LDC's (Least Developed Countries), which had previously been subject to bilateral quotas.

**2005 Policy Reform.** EU Ministers agreed on a comprehensive reform in November 2005, consisting of the following key elements:

- The intervention price (632 Euros/mt or about 37 cts/lb at current exchange rates) was to be reduced over 4 years by 36%, beginning in 2006/07, to a “reference” price of 404 Euros/mt, (about 24 cts/lb at current exchange rates.). This latter price does not trigger government purchases; instead it is to be defended by a private storage system (not used so far).
- The A and B quotas were combined and substantially reduced. The combined quota totaled 17.4 million metric tons (for 25 countries) at the outset of reform and now total 13.3 million tons (for 27 countries). But as Table 1 shows, EU production has been substantially above this level. The over-quota sugar is either sold for industrial use, exported, bled back into consumption, or put into stocks and counted against the next year's quota.
- Farmers were to be compensated for 64.2% of the price cut by adding this amount to their Single Farm Payment (uncoupled to production). This compensation would bring the real price support to well over 30 cts/lb). Where the quota was reduced by 50% or more, additional compensation of 30% of income loss could be granted for a maximum of 5 years.
- Restructuring payments were made to processors for factory closures and quota renunciation over the period 2006/07 to 2009/10.

**Next phase of reform.** The current sugar regime expires September 30, 2015. The question now under deliberation in the EU is when will production quotas be ended. The date chosen seems likely to fall between 2017 and 2020. Production quotas on isoglucose (high-fructose syrup), which have kept EU consumption at low levels, would also be eliminated.

The reference price system will remain intact after production quotas are eliminated. EU tariffs on sugar and sugar-containing products, which prevent sugar imports from entering the EU unless under special arrangements (e.g., the afore-mentioned EBA or various bilateral agreements), will also remain. Moreover, the EU is still allowed under WTO to export nearly 1.4 million metric tons of sugar with the aid of export subsidies.

### **Potential Impact of TTIP on Domestic Sugar Industry, Policy**

As mentioned previously, both the U.S. and the EU are large net importers with little interest in access to each other's markets. Moreover, studies done by LMC, the internationally respected commodities research firm, show the highly competitive U.S. sugar producers to be generally more efficient than their EU counterparts. However, under certain circumstances the export of EU sugar to the U.S. could temporarily become attractive due to: (1) the availability of EU export subsidies, as well as the subsidies provided to producers through the Single Farm Payment program; (2) oversupply of the EU market resulting from EBA and from the various

Economic Partnership Agreements negotiated, or under negotiation, with various groupings of countries in the Caribbean and Africa – these agreements will eventually allow free entry of sugar into the EU market; (3) marked changes in the Euro-dollar exchange rate.

Conversely, the oversupply of the U.S. market due to free entry of Mexican sugar and the commitments made in the WTO and other FTA's and/or marked changes in the Euro-dollar exchange rate in the other direction could make U.S. exports of sugar to the EU temporarily attractive. Either circumstance could substantially disrupt domestic sugar markets and undercut the efforts of U.S. or EU officials to administer their respective sugar programs efficiently.

The prospective elimination of EU production quotas adds a great element of uncertainty to the picture. Will it result in a decrease in total EU production, or an increase, as restraints on the more efficient sugar producers in the EU are removed? And will the elimination of production quotas on isoglucose result in a major displacement of sugar consumption in the EU?

Thus, granting market access for sugar to the EU, yet another subsidized producer, would add another major element of uncertainty to the already difficult task USDA administrators have in analyzing the market situation. It would seriously jeopardize the effective, no-cost operation of the domestic sugar program and likely generate substantial government expenditures. In the long run, neither the U.S. industry nor the domestic sugar program mandated by Congress can remain viable in the face of continued piecemeal giveaways of domestic market share.

If U.S. sugar policy were to collapse under the weight of unneeded imports, the United States would have to shift its source of a vital food ingredient from American growers to less dependable, often highly subsidized, foreign producers.

We should point out that such an outcome would prove equally disastrous for the Mexican sugar industry, which has come to depend on large sugar exports to the U.S. to maintain balance in its domestic market – especially in light of above-mentioned replacement of Mexican sugar by U.S. HFCS in much of the Mexican sweetener consumption.

### **Impact of TTIP on Traditional Foreign Suppliers**

It should also be pointed out that the collapse of U.S. sugar policy and/or the depression of U.S. sugar prices would not only prove disastrous to U.S. sugar producers but would seriously damage the interests of the many developing countries whose sugar exports benefit from the TRQ's established under the WTO and it would significantly diminish the value of concessions on sugar granted to our existing FTA partners. Thirty-eight of the United States' 40 traditional suppliers are developing countries.

The importance of maintaining a viable U.S. sugar program is clearly recognized by many of these countries. The International Sugar Trade Coalition, a group of developing countries that

account for half the volume of the United States' WTO-mandated minimum import quota, has made clear to Congress and the Administration their strong support of existing U.S. sugar policy and their concerns that further trade concessions on sugar could jeopardize this program. The ISTC includes Barbados, Belize, the Dominican Republic, Fiji, Guyana, Jamaica, Malawi, Mauritius, Mozambique, Panama, the Philippines, Trinidad and Tobago, and Zimbabwe.

## **CONCLUSIONS**

1. Both the U.S. and EU are large net importers with no legitimate commercial interest in exporting to each other's markets. Any market access concessions on sugar negotiated in TTIP would run the risk of substantially disrupting the operation of their respective sugar programs to the detriment not only of the U.S. and EU sugar industries but those in developing countries that depend heavily on these programs to provide remunerative markets for their exports.
2. This view is shared by the EU sugar industry.
3. U.S. market access concessions on sugar to the EU, yet another subsidized producer, would add another major element of uncertainty into the analysis of the U.S. sugar market, would seriously jeopardize the effective, no cost operation of domestic sugar policy, and would likely generate substantial government expenditures.
4. Negotiation of market access provisions on sugar in TTIP would be unnecessary and counter-productive. Sugar and the sugar-containing products covered by the sugar TRQ program should be excluded from the negotiations.

We would emphasize that the concerns expressed above should not be construed as opposition to TTIP but rather to urge that the new reality of an integrated North American sweetener market set up by NAFTA and the impact of the other market access commitments already made in the WTO and other trade agreements be fully taken into account in TTIP negotiations.

Table 1

European Union Sugar Supply and Demand, 2006/07-2012/13							
-Thousand metric tons raw value-							
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Beginning Stocks	5,088	2,720	3,130	2,232	1,433	1,974	3,637
Total Sugar Production	17,757	15,614	14,014	16,687	15,699	18,251	16,390
Total Imports	3,530	3,048	3,180	2,561	3,755	3,800	3,850
Total Supply	26,375	21,282	20,324	21,480	20,887	24,025	23,877
Total Exports	2,439	1,656	1,332	2,647	1,113	2,388	1,500
Human Domestic Consumption	19,816	16,496	16,760	17,400	17,800	18,000	18,000
Total Use	21,216	16,496	16,760	17,400	17,800	18,000	18,000
Ending Stocks	2,720	3,130	2,232	1,433	1,974	3,637	4,377

Source: USDA Foreign Agriculture Service, May 5, 2013.

Table 2

Twelve Post-April-1 Sugar TRQ Increases Since Start of 2008 Farm Bill (short tons, raw value)					
-- In addition to WTO and FTA minimum imports of about 1.5 million tons --					
Fiscal Year	Date	Raw Sugar	Refined Sugar	Specialty Sugar	Total
2008/09	8/6/2008		300,000		300,000
	9/22/2008			80,000	80,000
					<b>380,000</b>
2009/10	10/6/2009			75,000	75,000
	4/23/2010	200,000			200,000
	7/6/2010	300,000			300,000
					<b>575,000</b>
2010/11	8/17/2010			85,000	85,000
	4/11/2011	325,000			325,000
	6/21/2011	120,000			120,000
	8/2/2011			10,000	10,000
	9/30/2011		150,000		150,000
					<b>690,000</b>
2011/12	8/2/2011			100,000	100,000
	4/18/2012	420,000			420,000
					<b>520,000</b>
<b>TOTAL</b>	<b>12</b>				<b>2,165,000</b>

Data Source: USDA. U.S. sugar tariff-rate quota (TRQ) increases above the approximately 1.5 million short tons of required World Trade Organization (WTO) and free-trade agreement (FTA) imports each year (WTO raw, 1.231 mst; WTO refined and specialty, ~120,000 st; CAFTA/DR, Peru, and other FTA's, ~130,000 st.)

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Chart 1

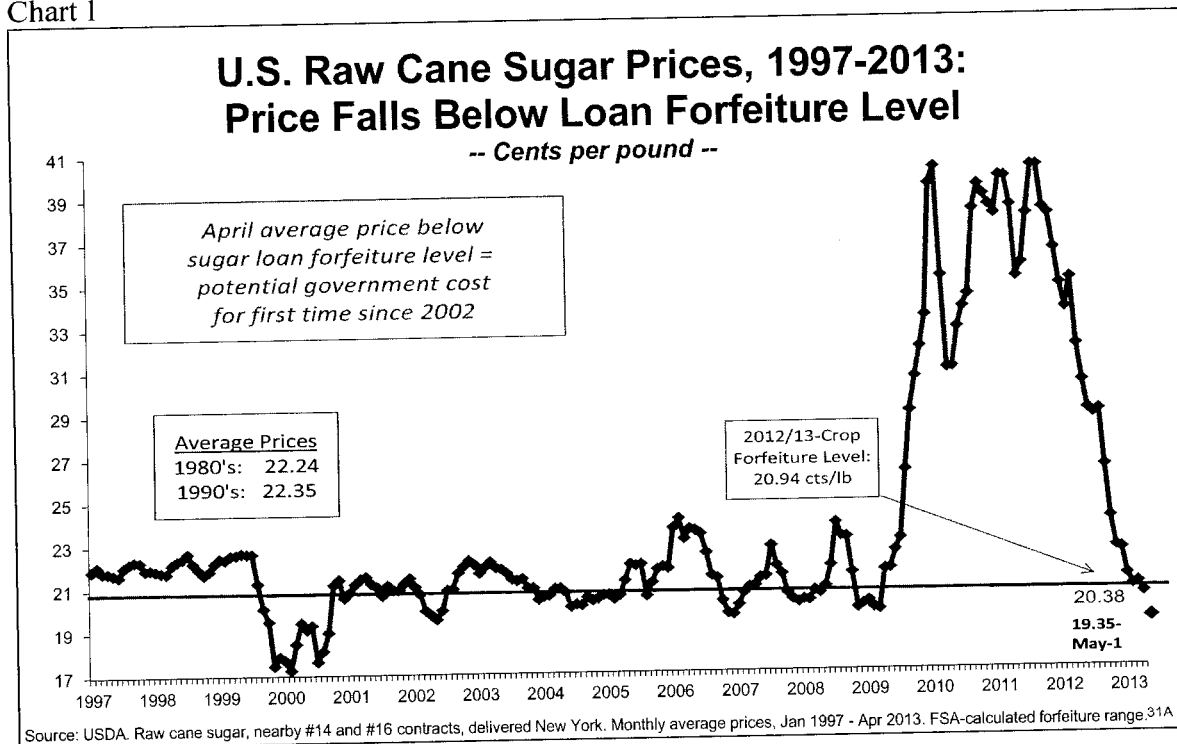


Chart 2

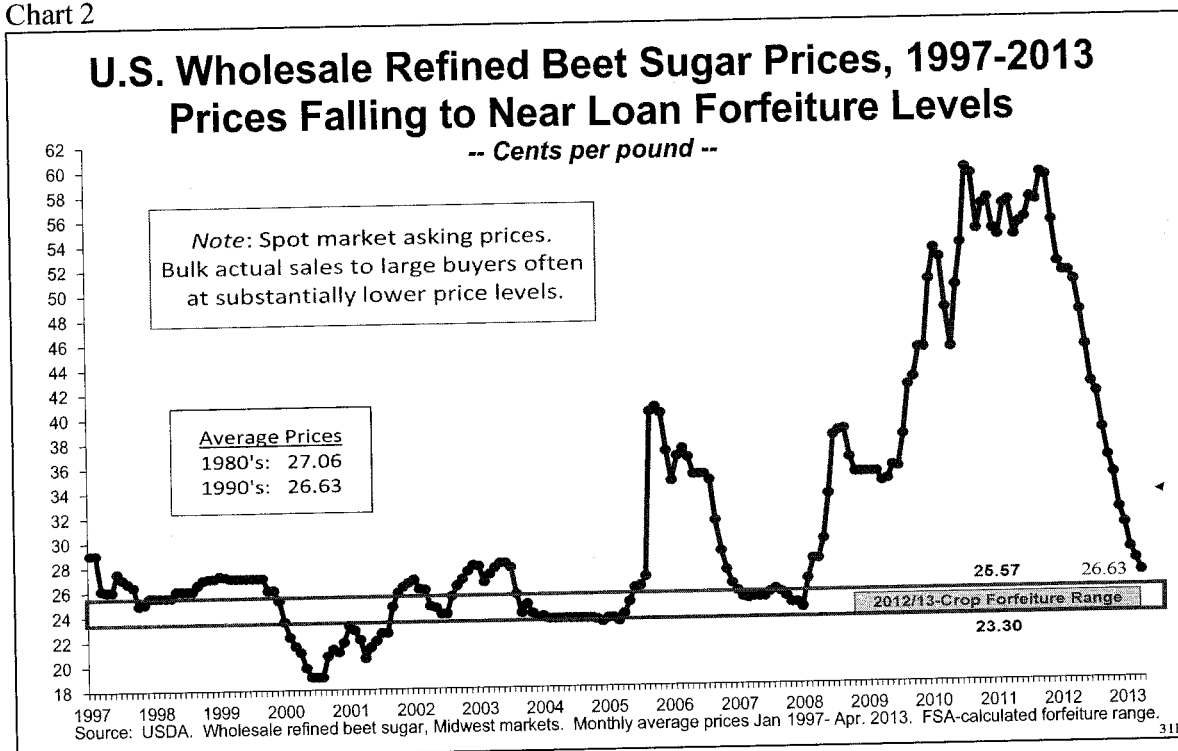


Chart 3

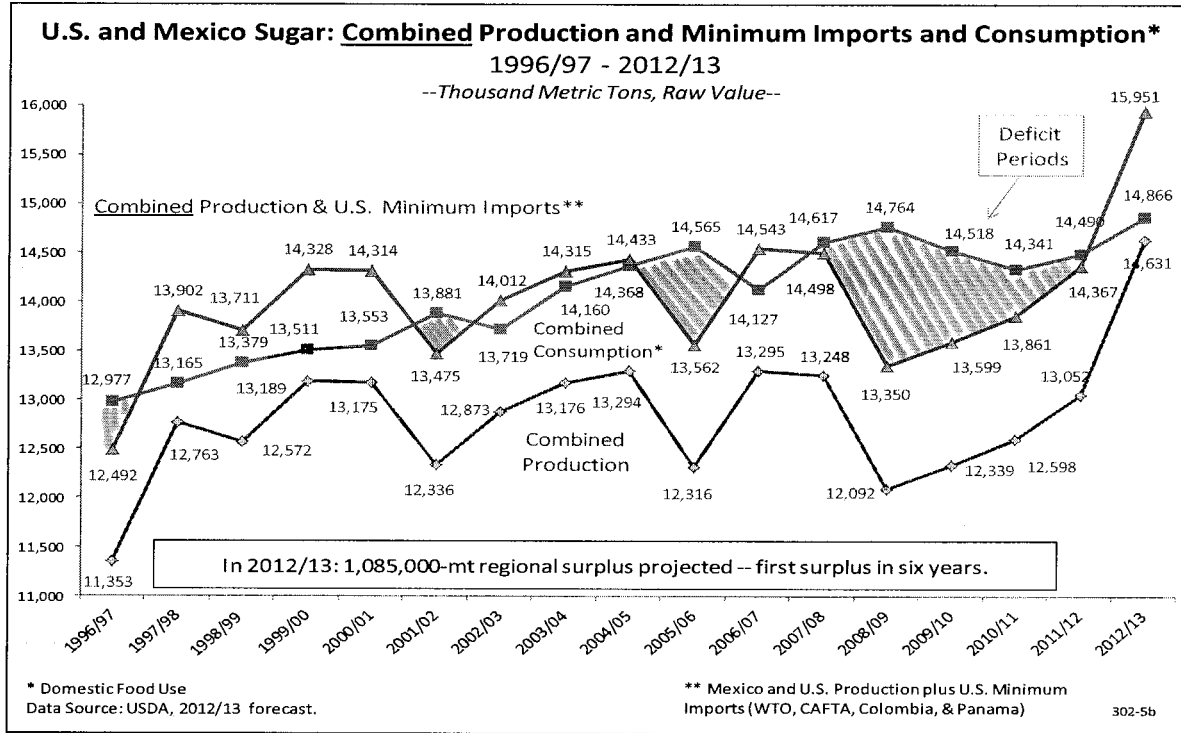


Chart 4

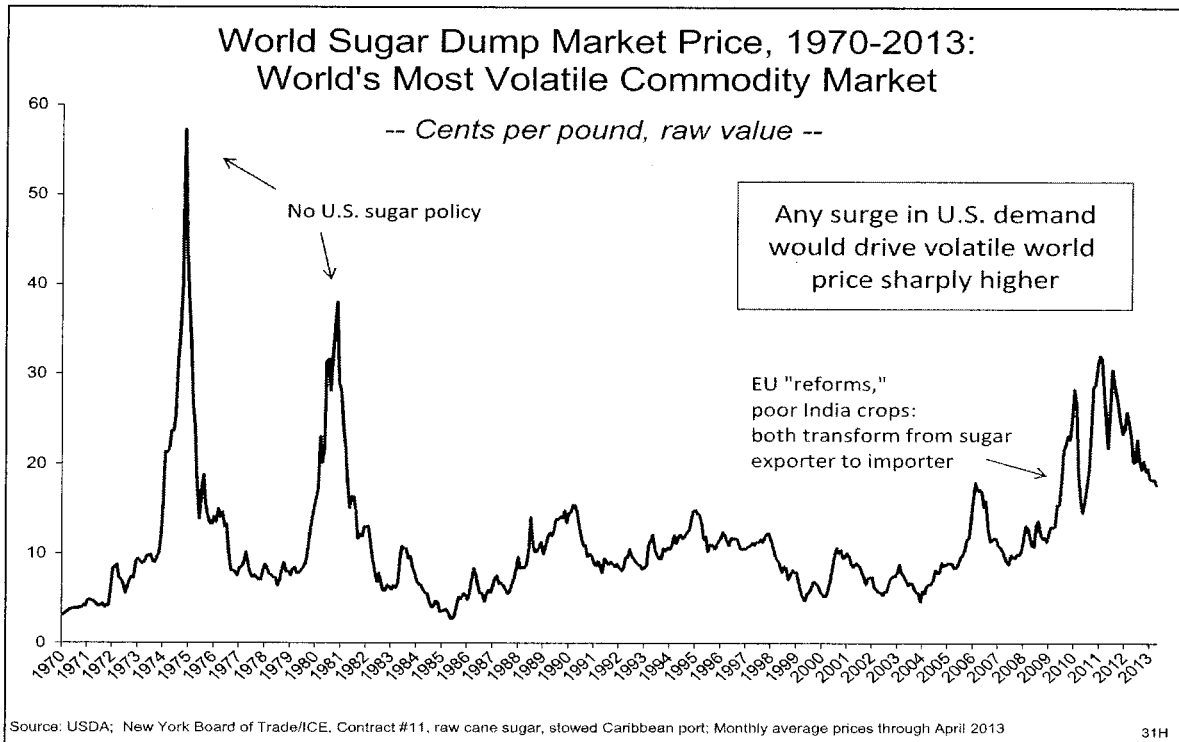


Chart 5

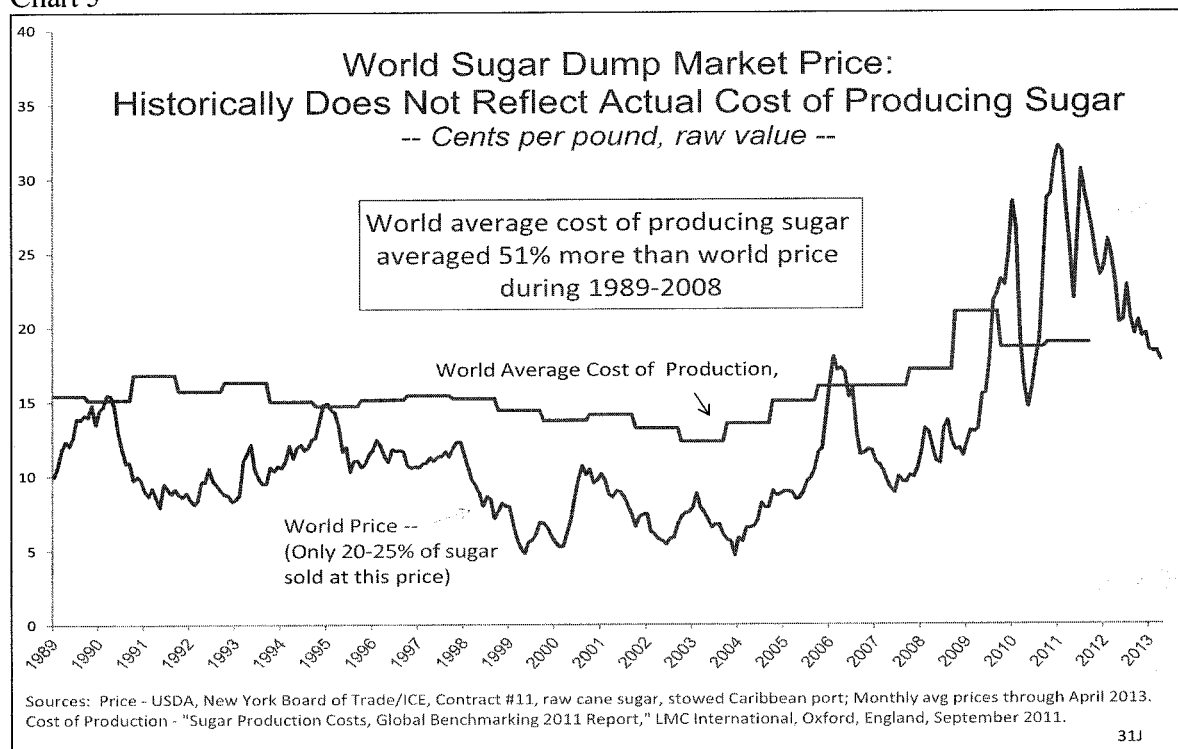


Chart 6

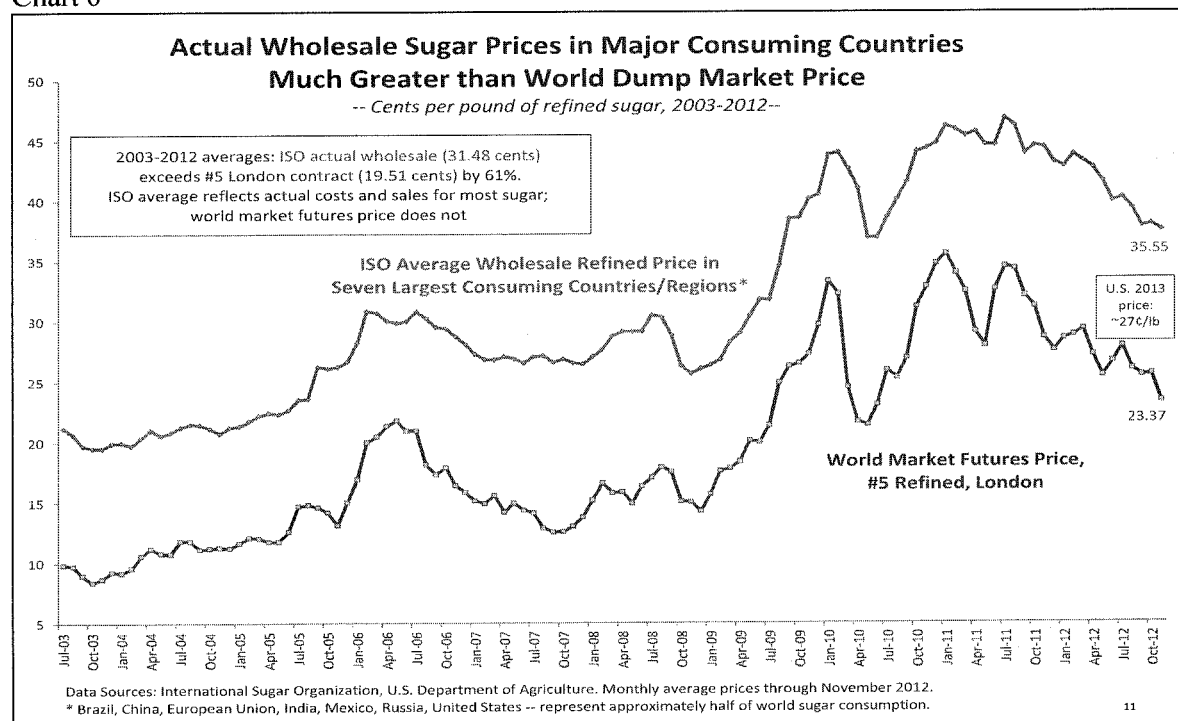


Chart 7

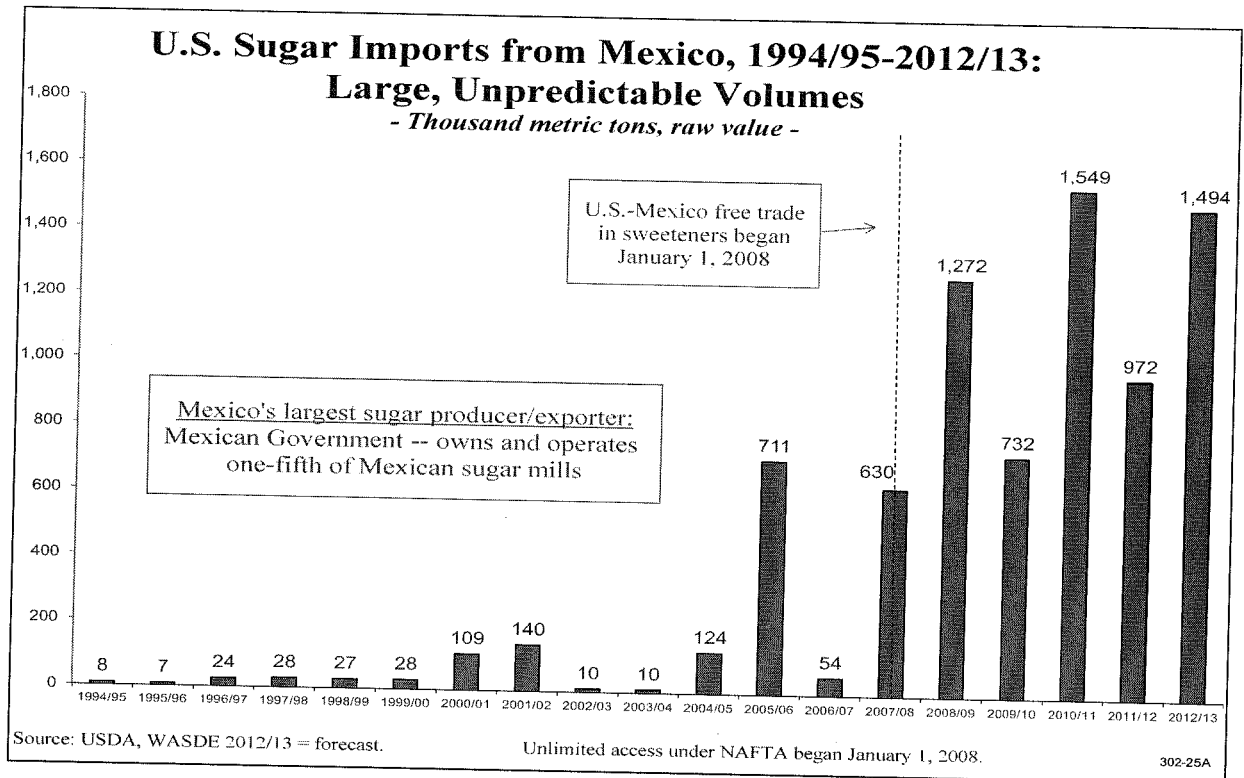
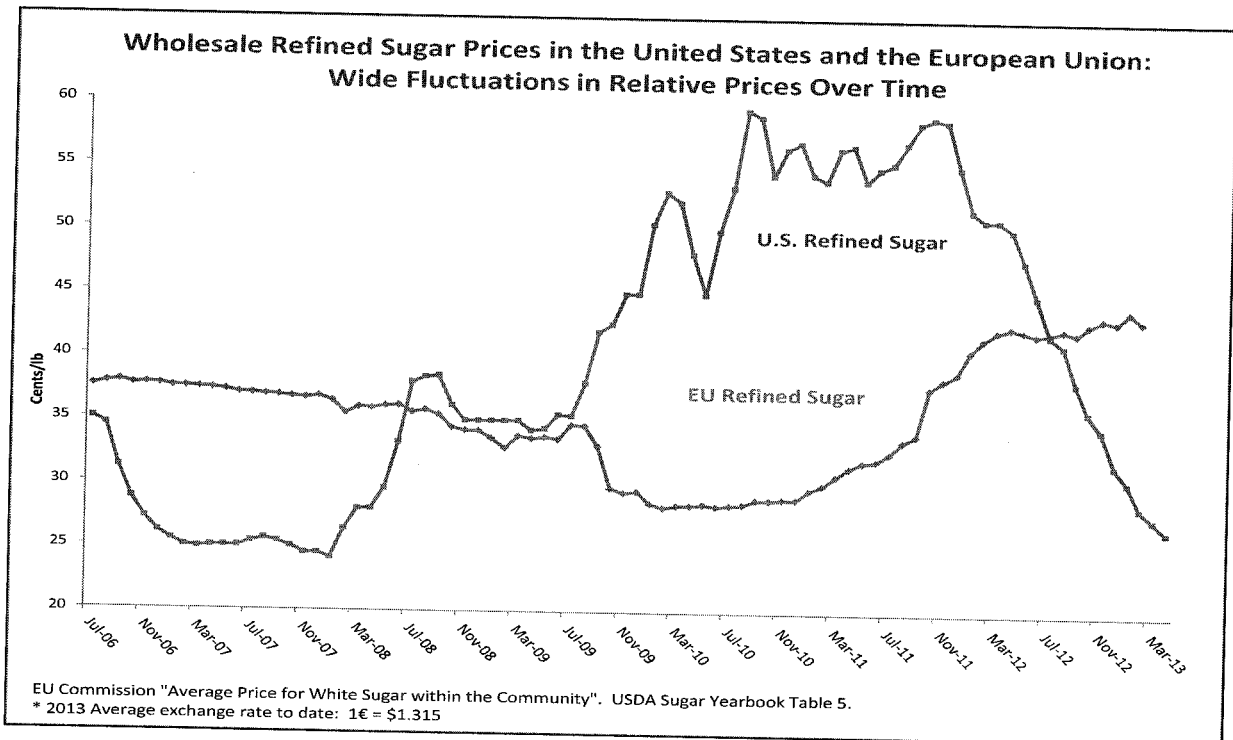
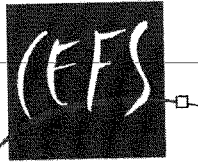


Chart 8





### **Public Consultation on EU-US High Level Working Group on Jobs and Growth**

**CEFS representing the EU sugar manufacturers** took note that during the EU-US Summit of the 28<sup>th</sup> of November 2011, the TEC (Transatlantic Economic Council) launched a joint High-Level Working Group on Jobs and Growth. CEFS understood that **negotiation of one or more bilateral trade agreements could be included** in the framework of the policy measures that there could be identified after the analysis of the High Level WG. CEFS would like to answer to the DG Trade open consultation on the issue:

CEFS general position on sugar and sugar products is that **no further concession should be made** in the future and ongoing trade negotiations.

1. United States ranks among the top sugar producers, and is one of the few countries with significant production of both sugarbeets and sugarcane. US is a huge net importer of sugar. CEFS doesn't see the reason why US should be granted concessions on sugar.
2. The country<sup>1</sup> imports large quantities of raw sugar (2.041.072 tons in 2010) particularly from huge exporter such as Brazil, Australia, Guatemala and Dominique Republic and important quantities of white sugar (936.258 tons in 2010) especially from Mexico. At the same time, according to International Sugar Organization data, US exported in 2010 more than 307.000 tons of sugar (7.061 raw sugar - 300.107 white sugar) including 10.793 of white sugar in the EU.
3. **USDA** United States Department of Agriculture **has established TRQs at lower levels in recent years to offset increasing domestic production**. If a FTA with US will be launched in the future, US will probably consider sugar as a sensitive product.

European Commission is concluding ambitious bilateral/regional Free Trade Agreements (FTAs) with all parts of the world and TRQs have been already granted to Central America, Peru/Colombia and Ukraine. As already stated in different occasions sugar **tariff lines should be excluded**. In the same way **products containing high amount of sugar should also be excluded from negotiations**.

In addition, it is particularly crucial for our industry to maintain **effective and strict Rules of Origin for sugar** and sugar products on concession already granted to avoid loopholes. It is also important for us to ensure that no circumvention of rules of origin takes place in the different regions which are geographically close to these countries.

Please find enclosed CEFS general position on Trade Agreements. We hope that you will take our comments into considerations and remain for any further information needed.

Art. 4.1(b)

<sup>1</sup> Data of US on sugar – 2010 -Source International Sugar Organization ISO Year Book 2011-  
Production 7.635.221 Imports 2.977.330 Exports 307.168 Net Trade -2.670.162 Consumption 10.153.780