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Trade Policy Monitoring

Analysis of US poultry meat trade with the EU: Past, present, future

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Report Highlights:

The US exports \$2.2 billion of poultry meat per year, however none of those exports enter the EU-25. This report outlines some of the current and historical reasons for this. Web links and other sources are cited as appropriate.

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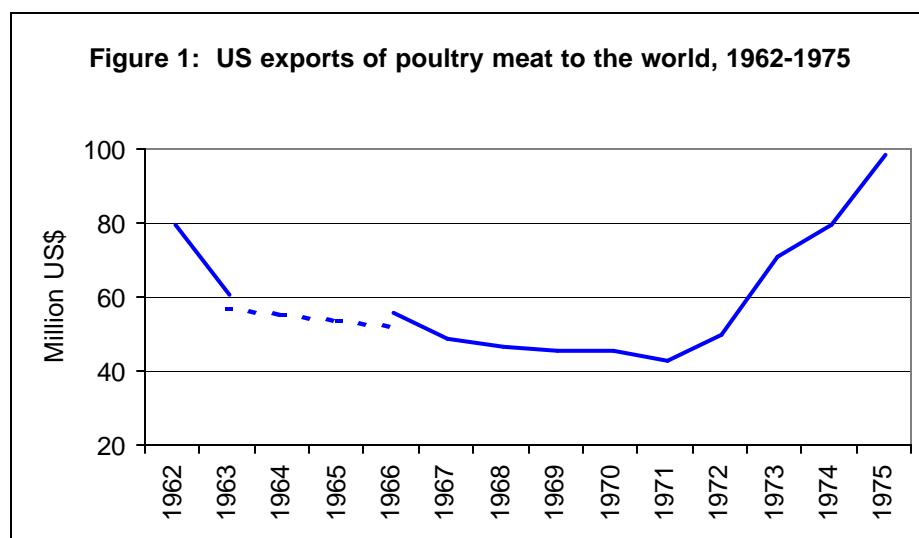
Summary

The EU imports an average of \$1.2 billion of poultry per year. However, none of that poultry is currently coming from the US, although annual US exports of poultry average \$2.2 billion per year. With a market of 25 member states and 455 million consumers, imports of US poultry should be greater than they are.

The EU's 1997 ban on the use of anti-microbial treatments for sanitizing poultry carcasses effectively halted US poultry exports to the EU, even though the use of anti-microbial treatments is approved by FDA. What is less commonly known is that on and off since the 1960s, US poultry exports have faced hurdles in reaching the European market. This report provides a historical perspective of some of the reasons US poultry exports to the EU have not maintained a significant market share in the EU market. Additionally, this report highlights the leadership role US poultry exports have in the world market.

1960s: EEC regulations and tariffs hinder US access to EEC poultry markets

In the beginning of the 1960s, the US was still the world's largest poultry exporter to the world, however Brazil now has the lead. US poultry exports to the world began falling rapidly during the 1960s. In 1962, the US exported \$76 million of poultry meat to the world but by 1967 was exporting only \$46 million to the world. The 40 percent drop in US poultry meat exports to the world over a five-year period, illustrated in Figure 1, occurred even though US production and marketing costs remained fairly stable (GATT document L/2972).



Source: GATT document L/2972 and FAS, USDA. Dotted portion of the line represents estimated data.

The decline in US poultry exports to the world in the early 1960s was due almost entirely to the sharp fall in exports of fresh and frozen poultry to Western Europe, the US's largest market for poultry exports ("US Trade in Poultry and Eggs," FAS, USDA, 1964). In 1962, the US exported 173 million pounds of fresh or frozen chickens to Europe. In the following year, the figure dropped by more than half to 91 million pounds. This drop may be attributed to three factors: the introduction of a French ban on the use of certain compounds in poultry feed, new tariff restrictions in poultry market access to the European Economic Community

(EEC), and the EU's introduction of export subsidies during the 1960s may have contributed to the fall of US poultry exports during this period.

French ban on certain compounds in poultry feed

In July 1962, the French government issued Decree 62-827 that banned the import of poultry products from countries that did not prohibit the use of arsenic, antimony, and estrogen compounds in poultry feed. Because the US did not prohibit the use of these compounds in poultry feed, France did not authorize poultry imports from the US.

The 1962 decree was modified slightly in April 1998 when the French government issued an arrêté¹, a type of French regulation used to implement a decree. The arrêté listed the countries that prohibited arsenic, antimony, and estrogen in poultry feed and thus were eligible to export poultry products to France. The list of countries included the EU-15 countries² plus Bulgaria, China, Dominica, Guatemala, Israel, Madagascar, Mauritius, Morocco, Peru, Romania, South Africa, South Korea, Switzerland, Taiwan, Thailand, Tunisia, Turkey, and Uruguay. The US was not on the list.

In September 2004, France abrogated the 1962 decree regulating compounds in poultry feed³, because EU-level legislation regulating residue of medicinal products in foodstuffs of animal origin was fully implemented in September 2004 by Regulation No. 1646/2004⁴.

The Chicken Wars: Increased tariffs on poultry

The Common Agricultural Policy (CAP) was adopted in 1962 and created common agricultural tariffs for all member states in the EEC. The implementation of common tariffs across EEC countries meant, for example, that a previous tariff concession granted by West Germany to the US on poultry was abolished. When this occurred, US poultry exporters faced a tariff almost triple its value in West Germany before the creation of the CAP ("US Trade in Poultry and Eggs," FAS, USDA, 1964).

Under the General Agreement on Tariffs and Trade (GATT) (the WTO's predecessor) Article XXVIII established the right for countries outside of customs unions to be compensated for any increases of duty that result from the creation of a customs union. The GATT guaranteed compensation equal to the amount of trade lost by the creation of the customs union.

Under Article XXVIII, the US was allowed compensation for the increase in West Germany's tariff on poultry. Referred to elsewhere as the "chicken wars," which was the consequence of a dispute between the US and West Germany over calculating the US's loss in poultry exports from West Germany's increased tariff. A GATT panel mediated the dispute in 1963 and valued US loss at \$26 million, a figure between US and German estimates.

Although the United States as a whole was compensated through the WTO process for the loss of trade through increased tariffs on EU imports, US poultry producers specifically did not receive compensation for decreased exports to West Germany.

¹ <http://www.legifrance.gouv.fr/WAspad/UnTexteDeJorf?numjo=AGR9800821A>

² EU-15 countries include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom

³ <http://www.legifrance.gouv.fr/WAspad/UnTexteDeJorf?numjo=AGR0401631D>

⁴ http://europa.eu.int/celex/cgi/sga_rqst?SESS=11232!CTXT=9!UNIQ=8!APPLIC=celexext!FILE=VISU_visom_9_0_10!DGP=0!VI_txt2

Related GATT Documents:

November 1963, L/2088⁵: panel decision
December 1963, L/2092⁶: US tariff retaliations

EEC introduces export subsidies

In 1962, the CAP introduced not only a common EEC tariff but also export subsidies. Specifically, the EEC applied export subsidies to poultry products. The US's share in several European markets that were at the time outside the EEC (particularly in Austria and Greece) diminished as a result of new EEC export subsidies on poultry (GATT document L/2972).

As a result of EEC export subsidies, the US requested consultations under the GATT. The first section of Article XXII of the GATT stipulates that each country within the GATT should allow sympathetic consideration to other countries within the GATT on trade issues, and provide adequate opportunity for consultation. Under Article XXII, the United States held consultations with Austria, Denmark, the EEC, and Switzerland in 1965 to discuss developments in international poultry markets caused by the implementation of the CAP. The US argued that the CAP increased protection of poultry markets through increased tariffs and intensified competition over poultry trade through use of export subsidies. These consultations did not produce concrete results.

Unable to reach a solution through negotiations, in 1965 the US introduced limited export subsidies on exports of whole frozen chickens to Austria and Switzerland in order to regain the market shares previously held by the US. In the announcement of the new export subsidy program, the US reiterated its desire to reach a mutually satisfactory solution to changes in the world poultry markets in the early 1960s.

The second section of Article XXII provides for more formal consultations should a satisfactory solution not be found through consultations under the first section of Article XXII. Indeed, since preliminary consultations failed to find a solution and US poultry exports continued to decline, in 1968, the US invoked Article XXII to create a Working Party on Poultry to seek solutions to the current widespread difficulties in world poultry trade. The working party included of Argentina, Austria, Canada, Denmark, the EEC, Greece, Japan, Poland, Switzerland, the United Kingdom, and the United States.

The US cited the implementation of export subsidies by other countries as the main reason for the decrease in US poultry exports to the world. The EEC and Denmark, two of the major poultry exporters in world markets, began using export subsidies during the 1960s that made US poultry less competitive in world markets. The US stated that export subsidies affected US poultry exports to Switzerland and Japan as well as countries that would later join the EEC, particularly Austria and Greece. The United States also briefly mentioned rising trade protection, surplus production spurred by internal market support and export subsidies, and import restrictions as causes for decreased US poultry exports to the world.

Related GATT Documents:

September 1965, Document L/2475⁷: announcement of US export subsidies on poultry exports to Austria and Switzerland
February 1968, Document L/2972⁸: initial call by US for consultation
February 1968, Document L/2978⁹: announcement of Working Party on Poultry

⁵ <http://gatt.stanford.edu/bin/object.pdf?90770014>

⁶ <http://gatt.stanford.edu/bin/object.pdf?90770019>

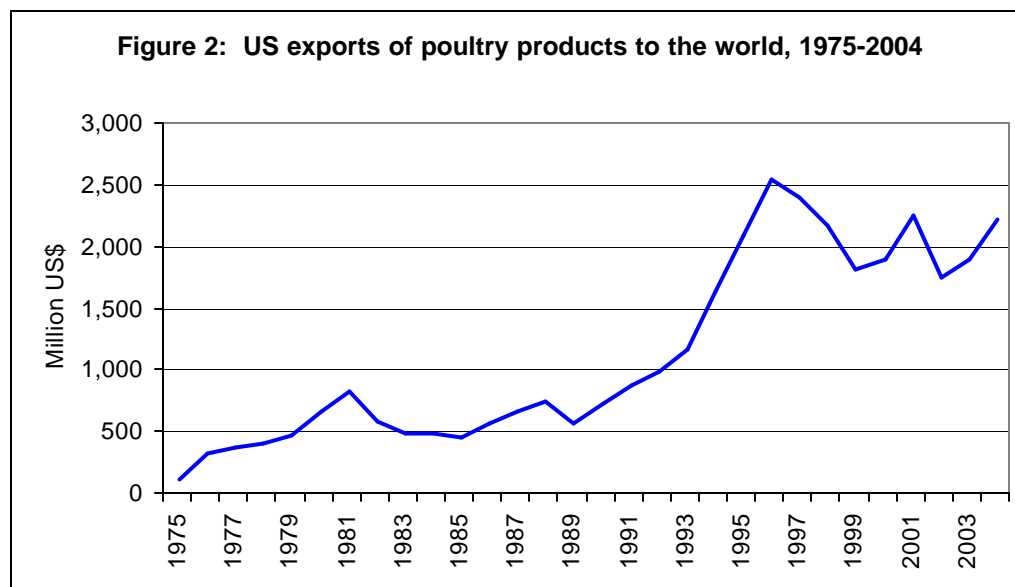
⁷ <http://gatt.stanford.edu/bin/object.pdf?90780173>

⁸ <http://gatt.stanford.edu/bin/object.pdf?90800280>

February 1968, Document C/M/45¹⁰: summary of events leading Working Party on Poultry, including withdrawal of American call for consultation

1970s growth of US poultry exports to EEC short-lived: 1980s bring new EEC regulations

The 1970s brought a period of growth for US poultry exports to Europe that was short-lived. As Figure 2 shows, US exports of poultry products to the world remained fairly stable during the 1980s.



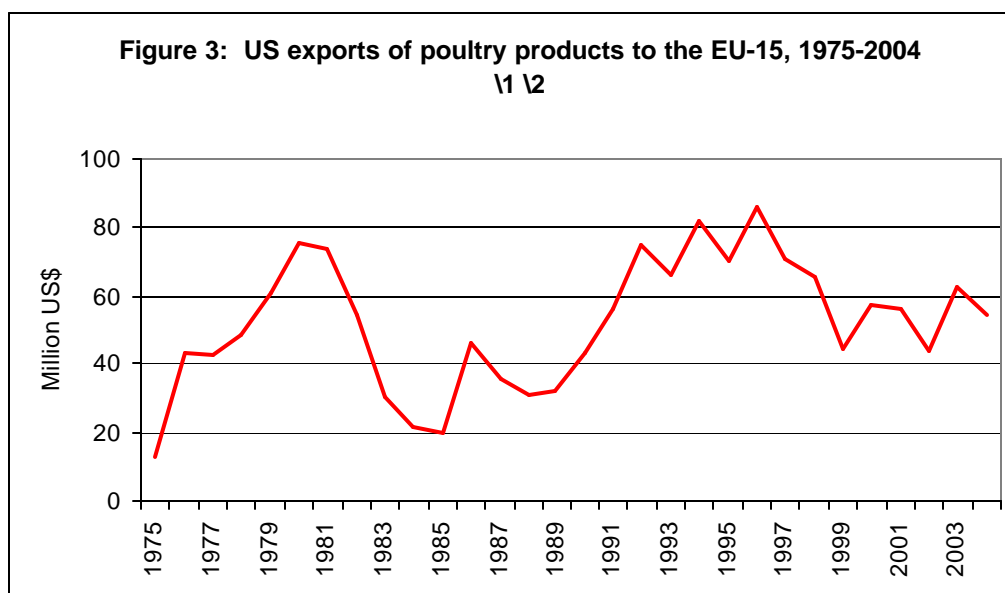
Source: Foreign Agricultural Trade of the United States, USDA

However, Figure 3 shows US exports of poultry products to the EU-15¹¹ fell dramatically during the 1980s. In 1980, the US exported \$75 million to the EU-15. By 1985, this figure had fallen almost 75 percent to a mere \$19 million. The mid-1980s show a brief revival of US poultry exports to the EU-15 before exports began falling again 1987-89. Poultry levels recovered to their 1980 levels only in the 1990s.

⁹ <http://gatt.stanford.edu/bin/object.pdf?90800287>

¹⁰ <http://gatt.stanford.edu/bin/object.pdf?90420188>

¹¹ The EU-15 countries include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.



\1 1975 data for Ireland and 1986-1989 data for Finland are missing; estimates of these values were used to compute the EU-15 total.

\2 Includes transshipments.

Source: Foreign Agricultural Trade of the United States, USDA

It is important to note the US poultry export data includes poultry transshipments, or poultry that is exported from the US to the EU-15 and then shipped to a third location for consumption. Data without transshipments during this timeframe is not available. Thus, the level of poultry imported from the US and consumed in the EU-15 is less than portrayed above. Accurate data on transshipments for this period in the 1980s is difficult to obtain; however, between 1997 and 2004, an average of \$23 million of US poultry exports to the EU-15 were transshipments.

Poultry chilling was one of EU sanitary requirements enforced during the 1980s that may help explain the disruption of US poultry exports to Europe while US poultry exports to the world remained strong.

Although poultry meat was not included in the EU's Third Country Meat Directive, it is an example of the EU's tightening of its veterinary requirements. Entering into force in 1972, the Third Country Meat Directive (Council Directive 72/462/EEC¹²) governed sanitary requirements of meat imports from third countries. This legislation was later amended in 1983.

Chilling poultry

In July and September 1980, the US filed complaints with the GATT against the United Kingdom (UK), requesting consultations with the UK and the EEC. The United States claimed that since May 1980, the UK had prevented the importation of US poultry that was not in compliance with the 1978 EU regulation regarding the chilling of poultry meat. This regulation, Statutory Instrument 1979, Number 693, Schedule 1, Part II, implementing EC

¹² http://europa.eu.int/eur-lex/en/consleg/pdf/1972/en_1972L0462_do_001.pdf

Directive 71/118¹³ as supplemented by EC Directive 78/50¹⁴, dictated that poultry should be chilled by air or immersion in a counter-flow of water. Interestingly, poultry produced in the UK was by derogation exempted from complying with the new chilling regulations until August 1982.

The US considered the UK ban on US poultry a violation of GATT Article III, which prohibits trade barriers that discriminate between domestic products and imports. The US contested the UK's discrimination against US poultry for not meeting sanitary regulations, when UK producers were not required to meet the same sanitary measures. The US requested consultations under the GATT with the UK and the EEC to find a satisfactory adjustment to the matter. In a rebuttal statement published in October 1980, the EEC argued:

- the UK's derogations were temporary,
- enforcement of the regulations did not significantly impede US poultry exports,
- the EEC notified exporting countries that the regulations were going to be implemented
- several US firms had adjusted without delay or difficulty,
- the number of firms benefiting from the derogation was steadily declining, and
- Article XX of the GATT stated that "nothing in this agreement shall be construed to prevent the adoption or enforcement by any contract party of measures.... necessary to protect human, animal or plant life or health."

In other words, the EEC argued that the UK was GATT compliant in prohibiting US poultry that did not meet EEC chilling regulations.

After consultations failed to produce a satisfactory outcome, in September 1980 the US requested a panel to investigate the issue. In May 1981, the United States withdrew its complaint partially due to the pending expiration of the UK's derogation.

Related GATT Documents:

August 1980, Document L/5013¹⁵: US request for consultation

September 1980, Document L/5033¹⁶: US requests panel investigation

October 1980, Document L/5040¹⁷: rebuttal by EC

May 1981, Document L/5149¹⁸: US withdraws complaint

June 1981, Document L/5155¹⁹: panel investigation terminated

1997 to present: Impediments persist

Figure 4 shows that EU-15 imports of US poultry, including poultry meat, edible offal of poultry, and processed poultry products, drastically fell after 1997 and have remained at low levels ever since.²⁰ The small amount of poultry the EU imports from the US is composed of processed poultry products and organic poultry. The decrease in US poultry exports to the EU after 1997 can be explained partially by EU sanitary regulations. Additionally during this time period, continued EU enlargement has impacted US poultry exports to Europe.

¹³http://europa.eu.int/celex/cgi/sga_rqst?SESS=12237!CTXT=9!UNIQ=9!APPLIC=celexext!FILE=VISU_visom_9_1_0_1!DGP=0!VI_txt10

¹⁴http://europa.eu.int/celex/cgi/sga_rqst?SESS=12237!CTXT=7!UNIQ=6!APPLIC=celexext!FILE=VISU_visom_7_0_1!DGP=0!VI_txt0

¹⁵ <http://gatt.stanford.edu/bin/object.pdf?90970557>

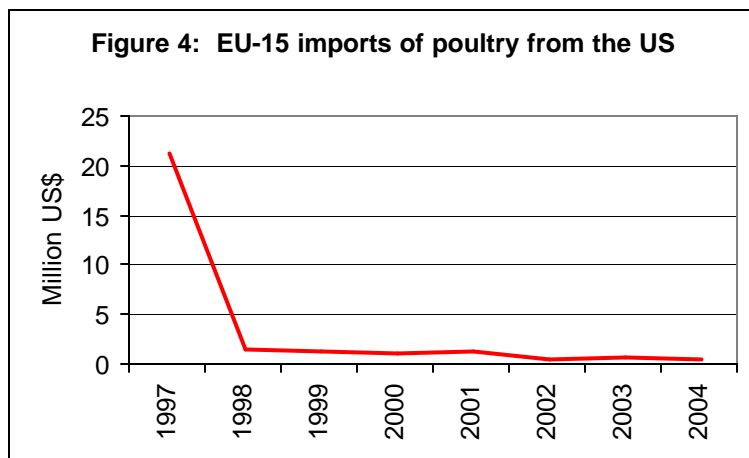
¹⁶ <http://gatt.stanford.edu/bin/object.pdf?90980052>

¹⁷ <http://gatt.stanford.edu/bin/object.pdf?90980066>

¹⁸ <http://gatt.stanford.edu/bin/object.pdf?90990009>

¹⁹ <http://gatt.stanford.edu/bin/object.pdf?90990026>

²⁰ Import data excludes transshipments.



Source: Global Trade Atlas

Ban on anti-microbial treatments

In April 1997, the EU issued Council Directive 97/79/EC²¹, which banned the use of anti-microbial treatments for decontaminating poultry carcasses. Anti-microbial treatments are applied to carcasses of meat animals or poultry products in the US and other countries outside the EU to decontaminate the carcass at the end of the slaughtering process and reduce the level of pathogens, or agents that cause disease. The treatment may be physical, chemical, or microbiological.

Although the use of anti-microbial treatments has been approved by FDA, with the 1997 EU regulations, US authorities could not sign export certificates certifying compliance with these requirements. As a result, US poultry exports to the EU have been blocked ever since.

The Council Directive that halted US poultry into the EU also affected the UK, as the Commission initiated infraction proceedings²² against the UK for failing to abide by EU legislation since the UK continued to permit the use of chlorine in poultry processing plants. It was not until 2003 that the UK verified it had banned the use of chlorine as a disinfectant for poultry and the Commission dropped the infringement proceeding.²³

After the ban was implemented, the EU Scientific Committee on Veterinary measures related to Public Health (SCVPH) published a scientific report in 1998 on the safety of using anti-microbial treatments, titled the "Benefits and Limitations of Antimicrobial Treatments for Poultry Carcasses."²⁴ The study provided criteria for assessing anti-microbial treatments and noted that anti-microbial treatments may be acceptable when used as part of an overall strategy for pathogen control throughout the whole production chain. Chlorine was rejected as an anti-microbial treatment, because the study found that chlorine was not consistently effective for direct carcass decontamination and the use of chlorine was associated with the formation of small amounts of certain mutagens, or agents that can induce or increase the frequency of mutation in an organism. Trisodium phosphate and lactic acid were deemed as more acceptable anti-microbial treatments. Contrary to the findings of the SCVPH, FDA found all four anti-microbial treatments safe for use.

²¹ http://europa.eu.int/eur-lex/pri/en/oj/dat/1998/L_024/L_02419980130en00310032.pdf

²² <http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:52003DC0669:EN:HTML>

²³ <http://europa.eu.int/eur-lex/en/com/rpt/2002/act0324en01/1.pdf>

²⁴ http://europa.eu.int/comm/food/fs/sc/scv/out14_en.pdf

The US and the EU signed the Veterinary Equivalency Agreement (VEA)²⁵ in 1999. The concept of the equivalency agreement allows veterinary inspection requirements to differ between the US and the EU but ensures the US's right to establish its own level of public health protection. For poultry, the VEA established the requirements necessary to establish equivalency of EU and US sanitary regulations. In particular, Annex V of the Agreement outlines four requirements necessary to re-open the EU market to US poultry exports. These requirements include: EC evaluation of the US residue program, EC evaluation of US water standards, and EC scientific review of anti-microbial treatments, and EU verification of farm practices. In the May 2002 US-EU Summit, the US and the EU agreed to work together to resolve the technical issues inhibiting US poultry exports to the EU.

In November and December 2002, US reports were compiled supporting the use of chlorine dioxide, trisodium phosphate, peroxyacids, and acidified sodium chlorite as anti-microbial agents in poultry processing. The purpose of these reports was to demonstrate that chlorine dioxide, trisodium phosphate, peroxyacids, and acidified sodium chlorite are safe and effective anti-microbial agents in poultry processing, in accordance with EU sanitary criteria. In April 2003, SCVPH issued their own report²⁶ affirming that anti-microbial treatments can be a useful method in reducing harmful pathogens in an integrated sanitary process.

To date, the US has responded to the four requirements outlined in the VEA necessary for US poultry exports to gain access to EU markets. To finalize the process, the next step would be for the EU Directorate for Consumer Health and Protection (SANCO) to prepare a measure amending the VEA. A new scientific report was published in June 2004²⁷ suggesting that the reaction products between chlorinated products and animal protein may produce semicarbazides, which are thought to be carcinogenic. The Commission has asked EFSA to review the sanitary merit of anti-microbial treatments in light of these new findings. The results of this study were expected in July, but now are expected in October 2005.

EU Food Hygiene Regulations

The EU has completed a major overhaul of the food safety system. This overhaul was the result of the EU's White Paper on food safety which outlined a radical revision of the EU's food safety rules. The "hygiene package" aims to merge, harmonize and simplify very detailed and complex hygiene requirements currently scattered over 17 directives. The overall aim is to create a single hygiene regime covering food and food operators in all sectors, together with effective instruments to manage food safety and any possible food crises, throughout the food chain.

EU Regulation 853/2004 lays down hygiene rules for food of animal origin.²⁸ Normally, the approval process and parameters for use of anti-microbial treatments in food of animal origin would be covered by the implementing rules for this regulation. To date, the implementing rules for this regulation have not been notified to the WTO. Once the EU has formally approved the implementing rules, the rules will be required for all EU member states.

²⁵ <http://forum.europa.eu.int/irc/sanco/vets/info/data/oj/98258ec.pdf>

²⁶ http://europa.eu.int/comm/food/fs/sc/scv/out14_en.pdf

²⁷ See: Hoenicke, K., R. Gatermann, L. Hartig, M. Mandix, and S. Otte. "Formation of semicarbazide (SEM) in food by hypochlorite treatment: is SEM a specific marker for nitrofurazone abuse?" *Food Additives and Contaminants*. Vol 21, No 6 (June 2004), pp. 526-537.

²⁸ http://europa.eu.int/eur-lex/pri/en/oj/dat/2004/l_139/l_13920040430en00550205.pdf

EU Enlargement, 2004

In May 2004, 10 Central and Eastern European countries joined the EU. These countries include Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, and Slovenia. Figure 5 shows that imports of poultry from the US (including poultry meat, edible offal of poultry, and processed poultry products) to the new member states have fallen since accession. It is interesting to note that during this same period US poultry exports to the world have increased. EU enlargement creates two potential impediments for US exports of poultry: possible increased tariffs and harmonization of the EU ban on anti-microbial treatments.

Commodity: poultry meat, edible offal of poultry, and processed poultry products	1999, 4th Quarter	2004, 4th Quarter
New member state imports from the US (excludes transshipments)	\$4.6 million	\$0.009 million
US exports to the world	\$503 million	\$647 million

Figure 5: New member state imports of poultry from the US drop after EU enlargement even though US poultry exports to the world expand

Source: Global Trade Atlas

First, in acceding to the EU, new member states adopted the common EU tariff. The tariff applied by new member states to imports may have increased for certain commodities as a result of the expansion of the EU, as was the case for poultry in the Chicken Wars in the 1960s. WTO Article XXIV²⁹ guarantees that countries outside the customs union can be compensated for increases in duty that result from the creation or enlargement of a customs union, as was previously guaranteed under the GATT.

The effect of EU enlargement on poultry tariffs in the new member states is not straight forward, because the types of tariffs applied to poultry by the new member states before accession are different from the types of tariffs applied to poultry products by the EU. The EU applies a fixed tariff to imports (a "specific" tariff) on most poultry products. By contrast, the new member states applied an array of tariff types to poultry before accession. For example, the Czech Republic applied tariffs based on a percentage of the import value (an "ad valorem" tariff), Poland applied an ad valorem tariff with a maximum specific tariff ceiling, and Cyprus applied a complex tariff consisting of a specific and an ad valorem tariff.

US poultry exports to the new member states may have fallen due to increased tariffs, but comparing the level of protection achieved by such different types of tariffs is difficult. Currently, negotiations are underway between the EU and US on possible compensation for these changes.

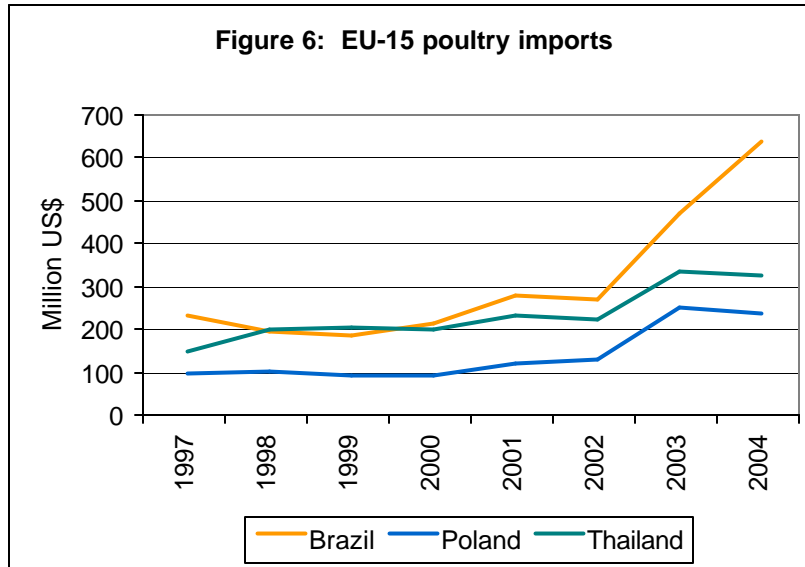
A second challenge posed to US poultry exports by EU enlargement is the extension of the EU body of law to the 10 new member states. In particular, EU expansion means that the new member states adopted EU sanitary regulations, including the EU's ban on anti-microbial treatments. US poultry exporters are experiencing new obstacles as a result.

²⁹ http://www.wto.org/english/res_e/booksp_e/analytic_index_e/gatt1994_09_e.htm

Current US-EU trade: US poultry exports to EU blocked

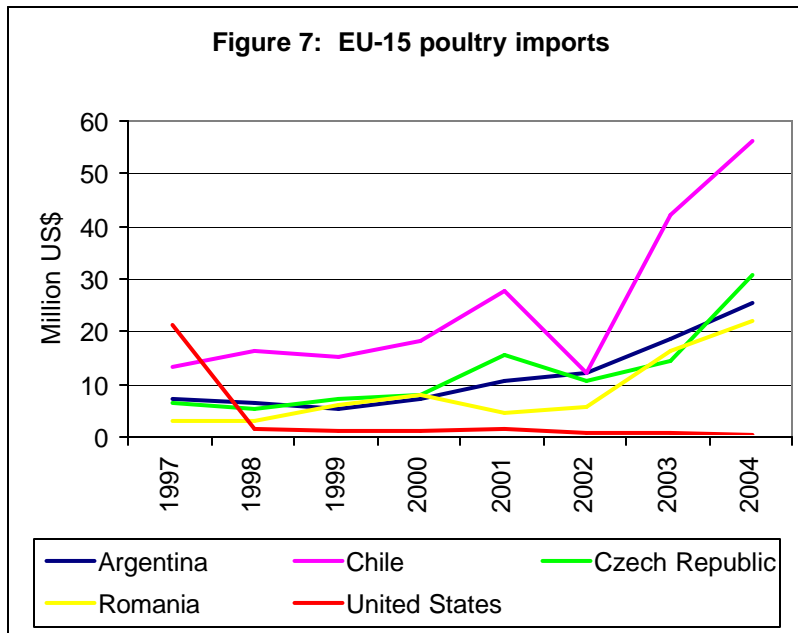
Changes in sources of EU poultry imports

Suppliers of EU-15 poultry imports have been changing since 1997. Over the past several years, the EU-15 poultry imports from Brazil, Thailand, and Poland have increased, as shown in Figure 6.³⁰ Figure 7 shows that EU-15 imports have been increasing from Argentina, Chile, the Czech Republic, and Romania steadily from 1997 onwards, while US poultry exports to the EU-15 have decreased.



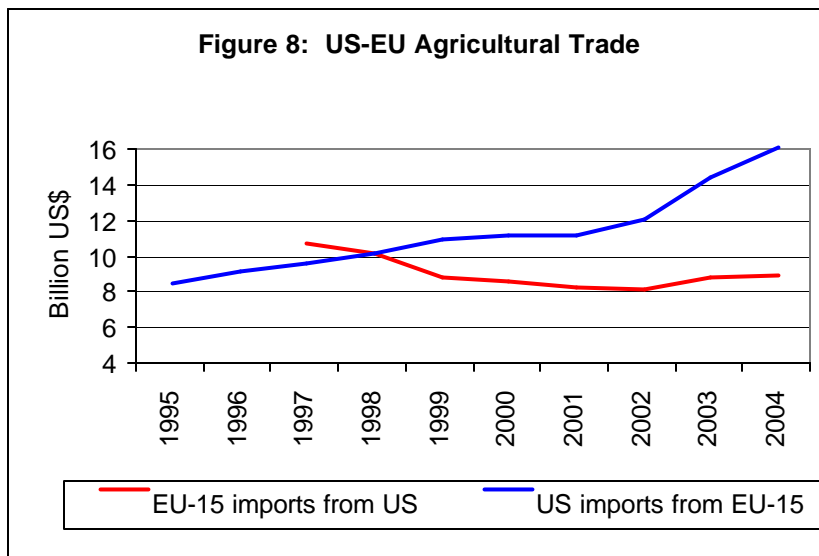
Source: Global Trade Atlas

³⁰ All trade statistics in this section are from the Global Trade Atlas. Additionally, in this section all references to "poultry" include poultry meat, edible offal of poultry, and processed poultry products.



Source: Global Trade Atlas

Declining US poultry exports is part of a larger trend in US-EU agricultural trade. Over the past several years, the EU-15 agricultural imports overall from the US have dropped. By contrast, the US has been importing more agricultural products from the EU-15, as shown in Figure 8.



Source: Global Trade Atlas

US poultry shut out of EU markets

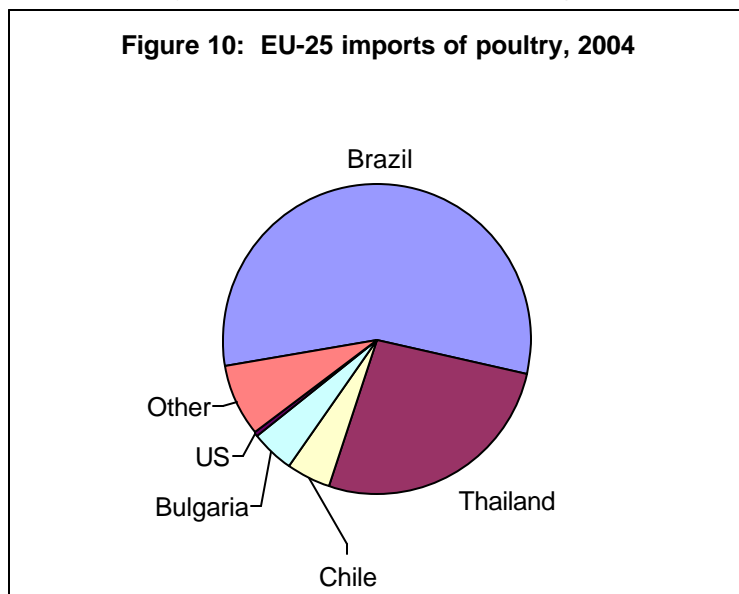
Currently, the EU and US are both large exporters of poultry. In 2004, the US and the EU were the second and third largest exporters of poultry to the world, respectively, after Brazil. Together, the EU and the US account for approximately 40 percent of the world's poultry exports.

In 2004, the EU was also the world's second largest importer of poultry, after Japan. Figure 9 shows the share of US and EU poultry exports and imports to the world.

Commodity: poultry	Imports as a share of world imports (value)	Exports as a share of world exports (value)
EU-25	20% (\$1,187 million)	13% (\$1,057 million)
US	2% (\$130 million)	28% (\$2,217 million)

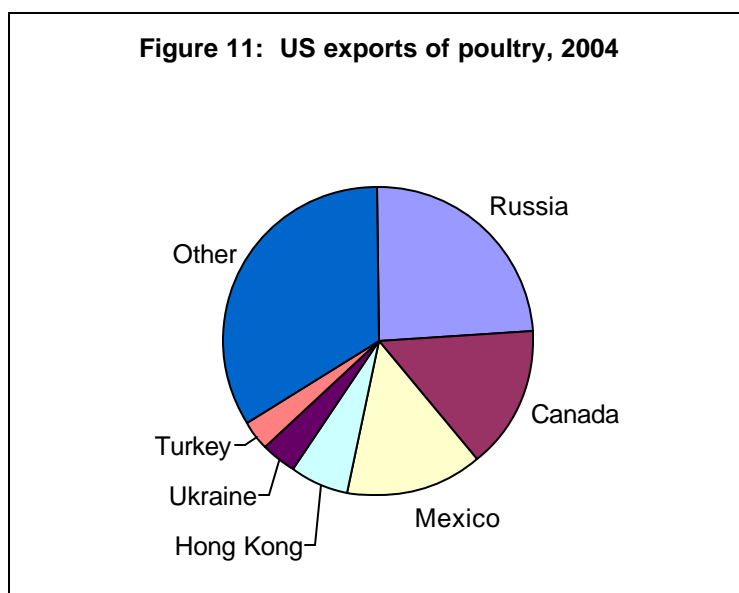
Figure 9: Share of EU and US in world exports and imports, 2004
Source: Global Trade Atlas

Even though the US is a leader in poultry exports to the world and the EU is a large poultry importer, the EU is currently not importing poultry from the US. Figure 10 shows that most of EU's poultry imports are from Brazil, Bulgaria, Thailand, Chile, and Argentina.



Source: Global Trade Atlas

Figure 11 shows that Russia is the primary destination for US poultry. In 2004, total exports to Russia were \$534 million.



Source: Global Trade Atlas

New EU legislation could inhibit US poultry exports to the EU in the future

As the US-EU poultry market access discussions continue, it is valuable to consider EU legislation on the horizon that could impact future US poultry exports to the EU.

Animal welfare for farmed animals

Concern for animal welfare of farmed animals is long-standing in the EU. As early as 1976, the EU expressed its commitment to animal welfare of farmed animals in the "European Convention for the Protection of Animals kept for Farming."³¹ This treaty established the fundamental EU position for the welfare of farmed animals. In particular, the Convention set down the "Five Freedoms" to be afforded to farmed animals: freedom from hunger and thirst; freedom from discomfort; freedom from pain, injury, and disease; freedom to express normal behavior; and freedom from fear and distress. A Standing Committee was created to monitor the application of the Convention.

Since the 1990s, the EU has become increasingly engaged in regulating the welfare of farmed animals. Below is a list of recent legislation on the general welfare of farmed animals.

- In 1992, the EU extended the 1976 Convention to regulate certain aspects of animal husbandry including biotechnology and the killing of animals.³²
- In 1993, Council Directive 93/119/EEC³³ updated 1974 regulations on the approved methods used to slaughter animals in order to minimize pain and suffering.
- In 1998, Council Directive 98/58/EC³⁴ set the framework for legislation on animal welfare for farmed animals based on the Standing Committee's work.

³¹ <http://conventions.coe.int/treaty/Commun/QueVoulezVous.asp?NT=087&CM=8&CL=ENG>

³² <http://conventions.coe.int/treaty/Commun/QueVoulezVous.asp?NT=145&CM=8&CL=ENG>

³³ http://europa.eu.int/eur-lex/en/consleg/pdf/1993/en_1993L0119_do_001.pdf

- In 2004, the Constitution for Europe signed by the Heads of State or Government of the 25 member states and 3 candidate countries showed commitment to animal welfare. In particular, Article III 121 stated that the EU and member states should pay full regard to the requirements on animal welfare in formulating and implementing EU agriculture, fisheries, transport, internal market, research and technological development, and space policies.³⁵ The fate of the Constitution is currently unclear, however, after being defeated by French and Dutch referenda in May 2005 and June 2005, respectively.
- In 2004, Council Regulation 1/2005³⁶ updated 1991 regulations on the transportation of farmed animals to and within the EU.

Poultry in particular has been a focal point in EU animal welfare legislation for farmed animals and discussions. In 1999, Council Directive 1999/74/EC³⁷ created animal welfare standards for laying hens. Specifically, the Directive put forth technical standards for three types of rearing systems for laying hens, created the notion of “enriched” cages, and limited the number of hens in non-cage systems.

Legislation is currently under consideration to establish animal welfare standards for chickens raised for meat production, or broilers. In May 2005, the European Commission proposed for consideration a Council Directive³⁸ that would establish maximum “stocking density” for live birds and establish a number of minimum conditions to ensure adequate welfare conditions. Also included in the proposal is the provision for a report on the possible introduction of labeling poultry meat according to welfare standards. The proposal went to the June 2005 Farm Council for discussion by the EU’s Agriculture Ministers, and the Commission is likely to reach an agreement by the end of 2005.

Currently EU member states must comply with EU animal welfare legislation. Under the current WTO agreements, the EU cannot impose this requirement on supplier countries that do not comply with EU standards for animal welfare. The international agricultural community is concerned about the EU’s animal welfare requirements as animal welfare standards generally increase the cost of production. For example, a recent EU study suggests that it will cost EU egg producers €354 million a year to implement the ban on traditional caged egg production, which Directive 1999/74/EC calls for by 2012.

The higher production costs needed to implement animal welfare standards make EU products less competitive than products not produced to this standard. A 2002 EU report titled “Animal Welfare Legislation on Farmed Animals in Third Countries and the Implications for the EU”³⁹ indicates that the EU is aware of the cost of production disadvantage that animal welfare regulations for farmed animals impose on its agricultural products. This report suggests that differences in regulations for the welfare for farmed animals among countries can particularly distort competitiveness in the pig and poultry sectors.

Since animal welfare regulations in the EU can distort the competitiveness of EU products, the EU is campaigning for international standards on welfare for farmed animals. For example, a 2004 opinion from the European Economic and Social Committee on a proposal

³⁴http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=EN&numdoc=31998L0058&model=guichett

³⁵ http://europa.eu.int/comm/food/animal/welfare/policy/index_en.htm

³⁶ http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2005/L_003/L_00320050105en00010044.pdf

³⁷http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=EN&numdoc=31999L0074&model=guichett

³⁸ http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2005/com2005_0221en01.pdf

³⁹ http://europa.eu.int/comm/food/animal/welfare/international/2002_0626_en.pdf

for the new animal welfare regulations on the transport of animals⁴⁰ called for the creation of international animal welfare standards based on EU animal welfare standards. Below is an excerpt from the text:

*“There is a need to establish global rules on animal transport. The fact that animals imported from third countries are subject to different transport rules distorts trade and reduces EU competitiveness in relation to third countries, since improving animal welfare means higher transport costs. **Therefore, the ultimate aim of establishing European rules must be considered to create global rules.**”⁴¹*

The EU is also a supporter of the recent interest that the World Organization for Animal Health (the OIE) has taken in animal welfare issues. The OIE organized an Ad hoc Group and, subsequently, a permanent Working Group on Animal Welfare in 2002 and held a Global Conference on Animal Welfare in February 2004.

The US has fewer regulations for animal welfare of farmed animals than the EU. US animal welfare is primarily regulated by the Animal Welfare Act (AWA)⁴², passed in 1966 and strengthened through subsequent amendments. The AWA sets standards on animal welfare of pets and laboratory animals, but does not regulate welfare standards for farmed animals.

Specific to poultry, the US regulations⁴³ dictate that poultry must be slaughtered using good commercial practices. For the most part, however, no US legislation regulates the welfare of poultry in slaughter or transport.

The EU’s heavy emphasis on governmental regulation of animal welfare for farmed animals is not equivalent to US animal welfare requirements.

Future EU enlargements

The 2007 accession of Bulgaria and Romania will likely impact US poultry exports to those markets as upon accession they will be required to implement all EU harmonized legislation. The expansion of the ban on anti-microbial treatments is an example of how future EU accession may force a decline in US poultry exports to those markets. Figure 12 below shows 2004 US poultry and poultry product exports to Bulgaria and Romania.

Countries scheduled to accede to the EU, 2007	US poultry and poultry product exports, 2004
Bulgaria	\$2 million
Romania	\$45 million

Figure 12: US poultry exports to future EU member states
Source: Foreign Agricultural Trade of the United States, USDA

Further along the horizon of EU enlargement, Croatia and Turkey are current candidates for EU membership. Future prospective members of the EU could also include Albania, Bosnia-Herzegovina, Macedonia, and Serbia and Montenegro.

⁴⁰ http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/oj/2004/c_110/c_11020040430en01350138.pdf

⁴¹ See link in footnote 38, section 3.7

⁴² <http://www.aphis.usda.gov/ac/publications.html>

⁴³ Code of Federal Regulations (CFR) 9 381.65 (c):
http://www.access.gpo.gov/nara/cfr/waisidx_99/9cfr381_99.html

Conclusion

US poultry exports to the EU have faced impediments for decades. The aggregate for US-EU agricultural trade makes the EU the fourth largest market for US exports despite the fact that the EU has 455 million consumers. Canada, Japan, and Mexico each import more agricultural products from the US than the EU, even though, Canada, Japan, and Mexico have smaller populations and lower GDPs.

The EU's promotion of increased animal welfare standards could be the next obstacle US and other exporters will have to confront. Also on the horizon is continued EU enlargement, which would spread the ban on anti-microbial treatments unless the US and the EU resolve the issue over the ban.

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Related reports from USEU Brussels, EU Member State and Candidate Country posts:

The following reports can be accessed through our website www.useu.be/agri or through the FAS website <http://www.fas.usda.gov/scripts/attacherep/default.asp>.

EU ban on anti-microbial treatments:

Report Number	Title	Date Released
E23111	Poultry Decontamination	6/20/2003

EU Enlargement 2004:

Report Number	Title	Date Released
PL4015	Polish Poultry Meat Exports to EU-15 Jump After It's EU Accession	1/31/2005
E34004	Enlargement of the Common Agricultural Policy	5/4/2004
E23202	EU Commission proposes adapted CAP payments for enlargement states	11/4/2003
E23129	European Union Enlargement	7/11/2003

E23090	Food Safety in the Enlarged EU	6/9/2003
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Animal welfare for farmed animals:

Report Number	Title	Date Released
E35108	The EC proposes the legislation for its new Broiler Welfare Directive	6/16/2005
E35065	Abolition of battery cages to cost €354 million to EU-25 egg producers	4/4/2005
E34089	Animal welfare legislation in the EU - update	11/19/2004

Recent information on EU poultry markets:

Report Number	Title	Date Released
E35142	EU Poultry and products annual	7/15/2005
E35017	EU Poultry and products semi-annual	2/4/2005
E34058	EU Poultry and products annual	9/22/2004
E24019	EU Poultry and products semi-annual	4/8/2004
HU3009	Hungary Poultry and Products Annual	11/10/2003
PL3021	Poland Poultry and Products Annual	7/31/2003
NL3005	Netherlands Poultry and Products Semi-Annual	2/5/2003
SI2006	Slovenia Poultry and Products Market Brief	1/7/2003

Recent information on poultry markets in EU candidate countries:

Report Number	Title	Date Released
TU5024	Turkey Poultry Update	6/8/2005
RO3014	Romania Poultry and Products Annual	9/18/2003

BU2016	Bulgaria Poultry Market 2000-2002	12/5/2002
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