

Voluntary Report – Voluntary - Public Distribution

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Report Name: COVID-19 Costs US Beef Exporters USD 100 Million of Lost High Quality Beef Sales to the EU in Quota Year 2020-21

Country: European Union

Post: Brussels USEU

Report Category: Livestock and Products

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Report Highlights:

The COVID-19 crisis and the closure of the European hospitality sector during much of the past year kept EU imports of U.S. beef into its High Quality Beef (HQB) quota well below availability. Unfortunately, despite a slight recovery of imports to almost 11,800 metric tons (MT), compared to the previous year, the increase in U.S. specific HQB quota, as agreed in 2019, only led to an increase in unused quota. This unused HQB quota availability of almost 9,000 MT is valued at roughly \$100 million in lost export opportunities for U.S. beef exporters.

The last quarter of the High Quality Beef (HQB) quota year (QY) 2020-21, which ended on June 30, 2021, saw U.S. beef imports reach almost 2,669 MT, up from 2,306 MT the previous quarter and significantly up from the 1,873 MT imported in the same quarter of the previous year, which was the first quarter affected by COVID-19. For total QY 2020/21, EU HQB were 11,782.4 MT, compared to 11,097 MT in QY 2019/20 and 12,628 in QY 2018/19.

In spite of the agreed increase in the U.S. specific HQB quota for 2021, or rather as a consequence of, almost 9,000 MT of HQB quota went unused for U.S. beef exporters or a value of roughly \$100 million. The available quota for QY 2021/22, which started on July 1, is 24,200 MT, following another U.S. specific quota increase on January 1, 2022.

| U.S. HQB Exports to the EU in Quota Year 2020/21 | | | |
|---|------------------------|---------------------|---------------------|
| <i>Period</i> | <i>Available quota</i> | <i>EU imports</i> | <i>Unused quota</i> |
| Quarter 1 | 4,625 MT | 3,680.14 MT | 944.86 MT |
| Quarter 2 | 4,625 MT | 3,127.40 MT | 1,497.64 MT |
| Quarter 3 | 5,750 MT | 2,306.41 MT | 3,443.59 MT |
| Quarter 4 | 5,750 MT | 2,668.89 MT | 3,081.11 MT |
| Total Quota Year 2020/21 | 20,750 MT | 11,782.84 MT | 8,967.20 MT |

Background:

Negotiations between the European Union and the United States to review the HQB quota allocation were initiated after the USTR took steps to reinstate retaliatory tariffs on the list of EU products under the hormone ban dispute in December 2016. In 2019, U.S. and EU negotiators reached agreement to modify the existing EU high quality beef 45,000 MT tariff-rate quota (TRQ) to include a country allocation specifically for the United States. The high-quality beef MOU stems from a U.S. WTO win over the EU's restriction on hormones. A detailed history of the EU-U.S. hormone dispute was compiled in the Congressional Research Service report [R404493](#). The new Agreement entered into force on December 14, 2019 and was published in the EU Official Journal (OJ) on December 19, 2019. The [Implementing Regulation 2019/2179](#) modifying the HQB quota allocation management was published in the OJ on December 20, 2019. Under the new agreement, U.S. specific HQB quota share will increase from 18,500 MT in 2020 to 35,000 MT in 2026 in seven incremental steps as follows.

| HQB Quota allocation | United States | All other eligible countries |
|-----------------------------|----------------------|-------------------------------------|
| Year 1 (2020) | 18,500 MT | 26,500 MT |
| Year 2 | 23,000 MT | 22,000 MT |
| Year 3 | 25,400 MT | 19,600 MT |
| Year 4 | 27,800 MT | 17,200 MT |
| Year 5 | 30,200 MT | 14,800 MT |
| Year 6 | 32,600 MT | 12,400 MT |
| Year 7 and subsequent years | 35,000 MT | 10,000 MT |

As the new quota allocation started in the middle of the 2019-2020 quota year and incremental increases have a full-year validity, different quota allotments apply in the first half of the quota year than in the second half. The quarterly quota distribution from 2020 onwards is detailed in the Annex of the above Implementing Regulation 2019/2179.

Related reports from FAS/Brussels:

| <i>Report Title</i> | <i>Date</i> |
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| High Quality Beef Quota Fill Under Fierce Import Competition | 01/18/2018 |

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Attachments:

No Attachments.