

Voluntary Report – Voluntary - Public Distribution

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Report Name: COVID-19 Hampers 2020 US High Quality Beef Quota Exports to the EU

Country: European Union

Post: Brussels USEU

Report Category: Livestock and Products

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Report Highlights:

The first full year of the newly negotiated U.S. specific High Quality Beef (HQB) quota with the European Union ended with U.S. beef exports reaching 12,806 MT. With a total of 18,500 MT reserved for U.S. beef for 2020, this leaves 5,694 MT of quota unused in 2020. This is the result of the high focus of U.S. beef sales to the European restaurant sector, which was mostly shut down in both the spring first wave and the autumn second wave of the COVID-19 pandemic. Because the HQB quota year stretches from July 1 through June 30, 2,470.5 MT of the unused quota will be carried over to the next quarter of the U.S. specific quota. Under the new Agreement, the U.S. specific HQB quota for 2021 increased to 23,000 MT.

The COVID-19 crisis in the EU has taken a severe toll on U.S. High Quality Beef (HQB) exports to the EU in 2020. This is a disappointing set back as U.S. beef exporters were finally expecting to benefit from a U.S. only TRQ allocation. Prior to the agreement in 2019, the United States and the EU negotiated a Memorandum of Understanding (MOU) in 2009 to establish the beef TRQ, which stemmed from the WTO beef hormone dispute, however the TRQ was opened to other WTO members who cut into the U.S. market share. (See background below). Under the new 2019 Agreement, U.S. beef received a guaranteed EU market access for U.S. HQB of 18,500 MT for 2020, in four quarterly sub-quota, with the first two in the second half of quota year 2019/20 and the last two in the first half of quota year 2020/21. This compares to just under 11,900 MT of U.S. HQB exports during 2019.

After ramping beef exports up to 4,153 MT in the first quarter of 2020, U.S. beef exporters were hopeful to fully use the 4,625 MT U.S. specific quarterly HQB share from the second quarter onwards, as well as the 472 MT of unused quota from the first quarter, as EU demand for U.S. beef typically spikes for the summer holiday season. Being among the most expensive beef in the EU market, European meat importers have traditionally marketed U.S. non-hormone-treated beef almost exclusively towards the European restaurant business. When the first COVID-19 wave struck in March 2020 and European restaurants were shut, U.S. beef sales in the EU dropped disastrously as EU importers were stuck with significant amounts of fresh U.S. beef in storage. In the summer of 2020, EU restaurants gradually opened for business again as the COVID-19 wave subsided, but many EU member states ordered their restaurants to close again when the second COVID-19 wave emerged in October 2020.

2020 U.S. Beef Exports to the EU

| U.S. HQB Exports to the EU in 2020 | | | |
|---|------------------|---------------------|--------------------|
| Period | Available quota | EU imports | Unused quota |
| Quarter 1 | 4,625 MT | 4,153.33 MT | 471.67 MT |
| Quarter 2 | 4,625 MT | 1,873.05 MT | 2,751.95 MT |
| Quarter 3 | 4,625 MT | 3,680.14 MT | 944.86 MT |
| Quarter 4 | 4,625 MT | 3,099.40 MT | 1,525.60 MT |
| Total 2020 | 18,500 MT | 12,805.92 MT | 5,694.08 MT |

Source: European Commission Import Statistics

Because the 2019/20 HQB quota year ended on June 30 of 2020 and unused quota is not carried over across quota years, the 3,223.62 MT of unused quota from the first half of 2020 was lost. However, the 2,470.46 MT of unused quota from the second half of 2020 will be carried over to the third quarter of the 2020/21 U.S. specific HQB quota. As the quarterly volume of the U.S. specific HQB quota increases to 5,750 MT in 2021, the available quota in the first quarter of 2021 (the third quarter of the 2020/21 quota year) through the end of March will amount to 8,220.46 MT.

Background:

Negotiations between the EU 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](#)¹.

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](#)² 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 starts 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/EU:

| Country | Title | Date |
|----------------|---|------------|
| European Union | New High Quality Beef TRQ Allocation Starting January 1 of 2020 | 12/23/2019 |

The GAIN Reports can be downloaded from the following FAS website:

<http://gain.fas.usda.gov/Pages/Default.aspx>

¹ <https://crsreports.congress.gov/product/details?prodcode=R40449>

² https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2019.330.01.0003.01.ENG&toc=OJ:L:2019:330:TOC

Attachments:

No Attachments.

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