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Report Highlights:

The BSE crisis and the foot-and-mouth disease (FMD) outbreak have deeply affected the EU livestock sector.

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In July 2000, the Commission proposed four regulations which merge, harmonize and simplify hygiene requirements previously scattered over 17 existing directives (among which directive 64/433 on health conditions for the production and marketing of fresh meat, directive 77/96 on the examination for trichinae upon importation from third countries of fresh meat derived from domestic swine, directive 77/99 on health problems affecting the production and marketing of meat products and certain other products of animal origin, directive 92/118 laying down animal health and public health requirements governing trade in and imports into the Community of certain animal products, and directive 94/65 on requirements for the production and placing on the market of minced meat and meat preparations) . This hygiene legislation is thus more a recast of existing directives rather than the promulgation of new requirements.

These proposals focus on the introduction of a farm to table hygiene policy, starting from primary production, and on the primary responsibility of food producers for food safety. A key principle is also traceability of all food and food ingredients, through the mandatory registration of all establishments and record keeping.

The responsibility for adapting the rules to local situations is, in principle, left to member states, adding an element of flexibility. However, the mere fact that the new legislation will take the form of a regulation rather than a directive, indicates the Commission's will to see measures implemented in a "harmonized".i.e. uniform way.

This would be the first public health regulation which would state that primary producers have to take animal welfare elements into account. It is still uncertain at this point whether welfare requirements will be imposed on third countries as well.

These regulations will be adopted in co-decision procedure, actively involving the European Parliament. The process should be quite lengthy, with a potential adoption occurring in 2002 and a January 1, 2004 implementation date. However, Commission officials already express doubts on the feasibility of an entry into force in 2004. Comments have been sent by U.S. authorities through the SPS channel in November 2000.

Attention will have to be paid to two proposals which should be released in the course of the year: one on the obligation of competent authorities which will deal with the liability attached to EU certificates, and the other on post mortem inspection, which might detail responsibilities deferred to trained technicians versus veterinarians. 12

Executive Summary

The year 2001 will undoubtedly be marked by animal health crises in the EU. The second wave of BSE crisis forced the Commission to take public health measures, such as the mandatory removal of SRMs, compliance measures such as the ban of meat and bone meal for all farm animals, market support measures, such as the Purchase for Destruction scheme, and consumer confidence reviving measures, such as systematic testing of bovines above 30 months. A new TSE regulation consolidates all measures implemented around BSE.

The FMD outbreak restricted movements within the EU and also seriously affected EU meat exports. On the other hand, trade should be encouraged by the conclusion of double zero agreements with Central and Eastern Europe and, in a modest way, by budding promotion efforts in third countries.

EU meat production could be restricted by environmental requirements under the Nitrates Directive and by proposals on animal welfare for pigs and for transportation. Proposals tightening health requirements for animal by-products and on zoonoses could affect the meat sector as well. The food hygiene proposal, on the other hand, introduced a farm to table hygiene policy based on HACCP principles, making the meat producer liable for food safety.

The EU budget remains stable for the porcine sector in 2002 but increases for the beef sector, in line with increasing premia under Agenda 2000 and higher intervention costs.

U.S. red meat exports to the EU remain subjected to the non-hormone treated conditions, the listing requirement and mandatory residue monitoring.

ANIMAL HEALTH CRISES

BSE

1. Background

Since the first native case of BSE was detected in Denmark in February 2000, several envisaged BSE measures, among which increased testing on risk animals (see testing) and Specified Risk Materials (SRM) removal (see SRMs) were revived in the summer of 2000.

France decided to anticipate and exceed EU testing requirements. The increased testing led to a higher detected BSE incidence in France. This, combined with the discovery of a few bovines from a BSE case cohort entering the food chain in France, triggered a second BSE crisis in Europe in the fall of 2000, as the effects of the 1996 one were fading away.

France then took drastic measures against BSE, with a general meat and bone meal (MBM) and animal fats ban for all farm animal feed and pushed to have the EU Commission impose these measures on all member states. The Commission did mandate systematic testing of risk animals but other measures were largely fought by the then "BSE-free" member states, until the first BSE cases were detected in Germany, Spain and Italy. In December 2000, the Commission decided to implement systematic testing of all bovines above 30 months as a condition to enter the food chain, and to ban MBM for all farm animals, in order to avoid cross-contamination (MBM was banned for ruminants in 1994). Imports and exports of MBM were prohibited as well. From a market support perspective, intervention was opened as well as a private storage aid (PSA) scheme for animals not eligible for intervention, i.e. cows. A Purchase for Destruction (PFD) scheme was set up to destroy all untested animals until systematic testing becomes mandatory in July 2001. The list of SRMs was modified several times, to include intestines and vertebral column. All bones are also excluded from Mechanically Recovered Meat (MRM) (see SRMs).

In the second half of 2001, PFD is terminated and replaced by a Special Purchase Scheme (SPS) which allows member states to store tested meat and is co-financed. It is likely that the MBM ban will be prolonged until proposed legislation on animal by-products (see MBM) is adopted. Other market support schemes will disappear if and when EU beef prices improve. Testing schemes remain.

2. Testing

In April 2000, the Commission decided to reinforce the epidemio-surveillance of BSE in cattle by introducing a monitoring program through rapid post-mortem testing on at least 0.1 pct of the EU herd over 2 years, through Commission Decision 2000/374. The program centered on "risk animals", i.e. fallen stock. One percent of the EU's 41 million head cattle population was deemed to be at risk by EU experts, and 10 pct of these risk animals, or 40,000 animals, had to be included in this testing program, which entered into force on January 1, 2001. This active surveillance scheme already existed in the UK for animals over 30 months, and France alone planned to test at least 40,000 animals over 2 years.

In November 2000, at the outbreak of the second BSE crisis, EU authorities approved an increased BSE testing scheme whereby all animals over 30 months destined for human consumption would have to be tested in all member states as of July 1, 2001. The scheme, as adopted through Commission Decision 2000/764, was implemented in two phases:

-as of January 1, 2001, all "risk" animals (as opposed to a percentage under the previous scheme) over 30 months old will be tested post-mortem. This represents 0.5 million animals. The test kits costs amount to 15.6 million euro for the January-June 2001 period, and will be financed by the EU. As of the end of April 2001, about 0.06 pct of tested risk animals were positive for BSE.

-as of July 1, 2001, all animals over 30 months will be tested. This covers 6 to 7 million animals across the EU. There is no co-financing by the EU. As of the end of April 2001, about 0.006 pct of tested "healthy" animals were positive for BSE EU-wide.

Member states are required to use one of three tests officially approved by the EU: Prionics, CEA or ENFER. Five more are going through the approval procedure and could be certified around September 2001.

Austria, Finland and Sweden, the three BSE-free member states, are authorized to slaughter cattle over 30 months old for human consumption without BSE testing for their national market only.

3. Specified Risk Materials (SRMs)

Commission Decision 2000/418 of June 29, 2000 harmonized rules for the removal by member states of specified risk materials presenting BSE risk as of October 1, 2000. All member states were required to enforce slaughterhouses and authorized meat cutting and processing plants to remove the skull, including the brain and the eyes, the tonsils, the spinal cord and the ileum of cattle over 12 months; the skull, including the brain and the eyes, the tonsils and the spinal cord of sheep and goat over 12 months or of younger animals that have a permanent incisor erupted through the gum; the spleen of sheep and goat of all ages. Furthermore, the UK and Portugal, which have a higher BSE incidence, have to remove all materials listed above and in addition remove the whole head (excluding the tongue and including the brains, eyes, trigeminal ganglia and tonsils), the thymus, the spleen, the intestines and the spinal cord of cattle above 6 months as well as the vertebral column of cattle above 30 months.

Commission Decision 2001/2 of December 27, 2000 added bovine intestines to the list of SRMs for all member states.

Commission Decision 2001/233 of March 14, 2001 added the vertebral column of bovines to the list of SRMs, offering the possibility of a derogation for EU member states without BSE cases (Austria, Finland and Sweden). The vertebral columns are permitted to be removed at point of sale, i.e. butchers rather than at slaughterhouses or cutting and processing plant as required for all other SRMs. Furthermore, the ban on the use of bones of the head and vertebral column for the production of mechanically recovered meat is extended to all bones.

Commission Decision 2001/270 of March 29, 2001 clarified SRM requirements for third countries exporting meat and meat products to the EU. All Specified Risk Materials except vertebral column will have to be removed by exporting countries as of April 1, 2001 except those which have been classified by the EU's Scientific Steering Committee (SSC) as highly unlikely to have BSE, i.e. under "Geographical BSE Risk I" (GBR I). These included Australia, Argentina, Botswana, Chile, Namibia, New Zealand, Nicaragua, Paraguay, Uruguay and Swaziland. Imports of SRMs are banned. Imports of meat, meat products, minced beef and meat preparation should be accompanied by certification that they do not contain SRMs or mechanically recovered meat and are not derived from animals which have been slaughtered through gas stunning or "pithing".

In order to establish their risk status, Commission recommendation 98/477 invited third countries and member states to submit a complete dossier on their epidemiological status with respect to TSEs. On the basis of the U.S. dossier, the Scientific Steering Committee (SSC) concluded in August 2000 that it is still unlikely, but cannot be excluded that BSE is present in the United States, putting the U.S. in category II of GBR (Geographical BSE Risk). Other GBR II countries include Canada, Colombia, India, Mauritius, Pakistan and

the three member states (Austria, Finland and Sweden) which have not had a case of BSE. The SSC underlined that GBR is not an indicator or a risk to humans via food consumption, but a qualitative indicator of the risk that live cattle could be infected with the BSE agent. Further rationale given by the Commission was that the United States has cases of scrapie and chronic wasting disease. However, under international rules (OIE) a country with the U.S. status would not be required to remove SRMs.

4. Meat and bone meal (MBM)

Council Decision 2000/766 of December 4, 2000 banned the use, import and export of processed animal proteins in all farm animal feed for six months from January 1, 2001. The ban does not cover fishmeal for use in pig, poultry and fish feed, or non-ruminant gelatin used in additives, or dicalcium phosphate, or milk and dairy products for feed. Animal fats are not included in the ban either (although national French and German legislation do ban fats in feed), given the entry into force of separate rules on January 1, 2001, foreseeing the filtering of animal fats to remove proteins (Council Decision 99/534). The ban did not rest on a scientific basis, but rather on the observation by EU authorities that the 1994 mammalian to ruminant ban has not been complied with in a uniform manner and that cross-contamination cannot be avoided in some member states.

The Commission considered it premature to lift the ban after July 1, 2001 but also states that a permanent ban would not be scientifically justified. Furthermore, the disposal of MBM would cause environmental problems and finding suitable protein replacements would be a problem for EU farmers.

Only once Community rules on the use of animal by-products are in place, probably in 2002, will the Commission consider lifting the ban. MBM will then be considered safe, except for ruminants for which the ban remains, as:

- SRMs rules will be in place.
- safe and well-defined processing methods for feed and fats will be implemented (revolving around the 120°-20 minutes-3 bars rule).
- animal by-products rules (see animal by-products) will make sure that only ingredients qualifying as fit for human consumption will be allowed into feed, feed production chains will be segregated, and strict traceability rules will be introduced.

Rules will also be set up to avoid cannibalism, except for fish.

5. Market support measures

Market support measures were also taken by the Commission in order to help rebalance EU beef supply given the steep drop in consumption. EU-wide beef consumption was down more than 30 pct in December 2000, although several member states, including the UK, and Scandinavian countries, were almost unaffected by the food scare. The drop was reduced to 25 pct in March, and 18 pct in April, and is forecast at 10 pct for the whole year 2001.

Private Storage Aid: was opened for cow meat in November 2000. It was the first implementation of Regulation 907/2000 on private storage aid, as set up by Agenda 2000 decisions. The application period was November 27 2000 to February 2, 2001. Only fresh or chilled half-carcass of female bovine animals of category D (female animals that have calved) qualified for private storage aid. The period of storage was 3 months, with the possibility for an extension of up to six months. The minimum quantity to be stored per contract was 10

tons. The amount of aid for the storage period of three months was 473 euros per ton cw. If the storage period was extended the amount of aid was increased by a daily supplement of 0.93 euros per ton. 14,440mt of meat was accepted under the scheme from November 2000 until its termination date in February 2001.

Purchase for Destruction (PFD) scheme: the scheme was finalized in December 2000 and entered into force on January 1, 2001. It buys up and destroys any animal over 30 months presented for slaughter before BSE tests are applied. The scheme remains until June 30, 2001 when testing becomes mandatory. Paid premia are 70 pct EU funded. The scheme withdrew approximately 640,000 animals, or 210,000mt from the market from the end of December until the end of May.

Special Purchase Scheme (SPS): The new scheme which replaced PFD reacted to ethical concerns expressed by some member states, particularly Germany, about the destruction of healthy meat as foreseen in the Purchase for Destruction (PFD) scheme. The SPS scheme gives member states the option of either destroying cow meat or storing it until December 31, 2001. All beef will have to be tested before being eligible for this scheme. It starts as of July 1, when testing of all bovines above 30 months becomes mandatory, but member states can start earlier if they already have 100 pct testing capacities. The scheme generally operates along the lines of current intervention: it will be triggered when beef prices reach a trigger price and will be subjected to tenders (two per month). The fact that the scheme is funded by the EU (70 pct) and member states (30 pct) and that trigger prices have been set for each individual member state leads some industry experts to consider SPS a renationalization of the intervention scheme.

Normal intervention was also triggered several times as prices in a member state hit bottom for a consecutive two weeks. Intervention is 100 pct EU-funded and is limited to meat from male animals. From December 2000 until the end of May 2001, approximately 200,000 have been bought into intervention.

6. Transmissible Spongiform Encephalopathies (TSEs)

In May 2001, the European Parliament adopted, under the co-decision procedure, the horizontal TSE regulation. This regulation, which enters into force on July 1, 2001, harmonizes the prevention, control and eradication of TSEs (including BSE and scrapie) in cattle, sheep and goats. It provides a proper legal and institutional footing for protective measures against BSE and other diseases, as opposed to the 60 Decisions taken by the Commission since 1989 as safeguard clauses for emergency measures in directives on animal and public health. All these implementing decisions, including BSE classification, SRMs, and epidemio-surveillance, will require consultation of the Standing Veterinary Committee. The regulation takes account of the opinions of the SSC and the OIE's Code on BSE.

FOOT AND MOUTH DISEASE (FMD)

On February 10, 2001, UK authorities informed the Commission about two outbreaks of FMD in pigs within a slaughterhouse and started implementing provisions of Council Directive 85/511. On February 21, 2001, the Commission adopted the first (2001/145) of a long series of Decisions restricting movement of animals and products in and around infected areas. On March 13 and 23, 2001, France informed the Commission of outbreaks FMD (one case each time). On March 21, the Netherlands informed the Commission about its three first outbreaks of FMD. On March 22, Ireland informed the Commission about an outbreak of FMD. The first case in Northern Ireland was notified on April 13.

On March 22, the Netherlands requested suppressive vaccination, which was allowed by the Standing Veterinary Committee and set up by Dutch authorities. On March 27, 2001, the UK requested protective vaccination, which was allowed for Devon and Cumbria with accompanying measures limiting cattle movements and restricting trade. However, protective vaccination has not been carried out so far.

Starting two weeks after the last outbreak, the EU gradually loosened cattle and product movements.

As of May 22, 2001, there have been 1,657 cases of FMD throughout the EU: 1,625 in the UK, 26 in the Netherlands, 4 in Northern Ireland, 2 in France, and 1 in Ireland. Animals slaughtered amounted to approximately 5,000,000 EU-wide, of which about 300,000 pigs and 700,000 cattle.

While the FMD outbreak has not affected domestic consumption, it has considerably hit EU export prospects. In March 2001, the Commission estimated that 73 pct of third country markets for EU pigmeat exports were blocked because of the time limited FMD measures, mainly due to the temporary embargoes of Russia and Japan. At the same time, 94 pct of third country markets for EU beef exports are blocked due to the temporary BSE and FMD measures taken by third countries. The Russian and Japanese embargoes were partly lifted in April. In May, before the United States loosened import restrictions, the percentages of meat blocked because of BSE and FMD came down to 30 pct for pigmeat and 65 pct for beef.

On March 13, 2001, the U.S. Department of Agriculture announced it was temporarily prohibiting the importation of animals and animal products from the European Union into the United States. This temporary action was taken following confirmation of foot-and-mouth disease in France. On February 21, USDA had announced similar actions regarding the UK and Northern Ireland. These measures are part of a coordinated prevention program to ensure the disease does not spread into the United States. The basis for these restrictions on products from countries affected with FMD is contained in Title 9 of the Code of Federal Regulations, Parts 94-98. On May 25, 2001, these U.S. restrictions were loosened on products coming from all EU member states except France, Ireland, the United Kingdom, the Netherlands, and Greece.

As of the beginning of June, some Eastern European countries, including Poland, and certain destinations in the Far East, among which South Korea and the Philippines, are still banning EU meat imports because of FMD.

EXPORT REFUNDS

Export refunds for beef were increased in November 2000 by the Commission (outside the usual management committee procedure) in order to encourage exports. The EU market was saturated at the time, as domestic consumption was collapsing following the BSE crisis. Restitutions were increased by 130 pct on meat from female animals, particularly touched by the food scare as EU consumers single out dairy cows as more likely to develop BSE, and by 15 pct on meat from male animals. Furthermore, restitutions were increased again in March 2001 on heifers exported to Russia, in order to take advantage of a temporary niche in the market.

For the 2000/01 GATT year, EU subsidized exports are expected to cover about 57 pct of the allowed quantities, or 470,000mt out of the 821,700mt allowed ceiling.

Export refunds for pigmeat were terminated in July 2000. Only processed products remained eligible. Export refunds on these processed products were reduced twice, in October and December 2000.

For the 2000/01 GATT year, EU subsidized exports are expected to cover about 29 pct of the allowed quantities, or 130,000mt out of the 444,000mt allowed ceiling.

ADOPTED LEGISLATION OR TREATIES

DOUBLE ZERO AGREEMENTS

In 2000, the European Union concluded double-zero agreements with ten Central and Eastern European countries (Poland, Slovenia, Slovakia, Bulgaria, Romania, the Czech Republic, Hungary, Latvia, Lithuania, Estonia), which have applied for EU membership. Under these arrangements, about 75 pct of EU agricultural imports from these countries will be able to enter the EU at zero duty while EU export quotas to these countries at zero duty (and without export refunds) will double. Whereas most of the new concessions come in the "double zero list", including pigmeat products, it is mainly "non-sensitive" products (i.e. products for which duties were already less than 10 pct) which account for new concessions for EU exports. The most beneficial consequence of these agreements for the EU lies in the relieving effect they have on EU subsidized meat exports. As most meat exports to the CEECs will no longer be eligible for export refunds, they leave room for subsidized exports to other destinations under restrictive WTO commitments. These agreements might not increase CEECs exports to the EU right away, as the main obstacle often lies in sanitary requirements which some CEECs find difficult to comply with..

Export refunds were gradually brought to zero for these destinations in the fall of 2000. Annual quota increases start from July 1, 2001.

RESIDUES

On March 9, 2000, the Standing Veterinary Committee (SVC) voted to lift the proposed ban on imports of all U.S. meat products. This vote followed USDA's decision to facilitate temporary testing of residue samples required by the EU at an EU-accredited laboratory. Residue testing is now for the most part carried out in a North American lab.

The frequency of testing of U.S. meat under the Non Hormone Treated Cattle Program (NHTC) at the point of entry into the EU was reduced from 100 pct to 20 pct by Commission Decision 2000/583 of September 27, 2000. The 100 pct lot testing at U.S. slaughterhouses still prevails.

LISTS

U.S. meat and meat products have to come from EU approved establishments. Lists of EU approved establishments are drawn up under the supervision of the Food Safety and Inspection Service (FSIS) as far as meat and meat products are concerned. Establishments are subject to FSIS inspections prior to listing and/or to occasional EU audits after listing.

The updated list of EU approved meat establishments in the United States can be found at <http://www.useu.be/AGRI/red.html#list>.

NITRATES

Even though the Nitrates Directive (Council Directive 91/676 on the protection of waters against pollution caused by nitrates from agricultural sources) was never fully complied with by most member states, Commissioner Wallström seems committed to forcing member states to swiftly implement this environmental legislation. Infringement procedures against 12 member states were initiated in 1999. Some member states have since implemented the directive, but in a manner which seemed unsatisfactory to the Commission. While other similar procedures can stretch over several years, these seem to proceed at a rapid pace. In the case of the Netherlands, Luxembourg, and Greece, the Commission has decided to make an application to the European Court of Justice (3d and final step of the procedure). Finland, the United Kingdom and Austria are sent a reasoned opinion (second warning letter). Portugal and Spain receive a letter of formal notice (first warning letter).

If correctly implemented by EU member states, the nitrates directive would limit further expansion of pig production and even reduce it for some member states, as seen in the countries already enforcing strict environmental requirements (Denmark, the Netherlands).

PROMOTION

Council Regulation 2702/1999 on measures to provide information about and to promote agricultural products in third countries was published on December 21, 1999. The regulation sets up the framework for future promotional schemes. Programs which qualify for the scheme include: trade shows, information campaigns on Community schemes, high-level trade visits, public relations, promotional or publicity measures. The regulation states that promotional schemes should focus mainly on the quality, hygiene, food safety, nutrition, labeling, animal welfare or environment-friendliness of the products concerned. Laid down are the procedures under which projects will be accepted, i.e. a tender procedure to be submitted by the member states. It also sets funding guidelines: for most projects, the Commission will cover 50% of the funding, with member states covering 20% and the trade organization the remaining 30%.

The implementation of Council Regulation 2702/1999 came in the form of Council Regulation 2826/2000 published on December 29, 2000. This regulation details the funding schedule, reiterates basic requirements such as the ban of all indications referring to national origin of the product, and emphasizes the monitoring responsibility of the member state. Appropriations for FY2001 amount to 7 million euro. Campaigns should thus be "European", promoting the quality of EU products (tradition, taste, safety...). It should be a multi-country, multi-sectorial approach.

Third country markets where promotion measures may be carried out are:

Switzerland, Norway, Central and Eastern Europe, Russia, Japan, China, South Korea, South-East Asia, India, Middle East, North Africa, Republic of South Africa, North America, Latin America, Australia and New Zealand. Dairy products which may be covered by promotion measures in third countries are cheese and yoghurt.

This year tender notification will have to be made by May 15.

EU BUDGET

Animal health crises have considerably burdened the 2001 EU budget: the cost of FMD has been estimated at 500-700 million euro, mainly covering the slaughter and incineration of animals from infected farms. BSE-

related measures cost the CAP budget approximately 970 million euro in FY 2001, including the Purchase for Destruction scheme, intervention costs and the funding of BSE test kits.

The EU draft budget 2002 foresees 8,371 million euro for the beef sector, not including veterinary measures. It represents 18 pct of the total EU agricultural budget, versus 14 pct in 2001, and 10 pct in 2000. This considerable increase is mostly due to Agenda 2000 increases in premia and to high intervention costs. The slaughter premium alone, as decided under Agenda 2000, will cost 1,371 million euro, versus 716 million earmarked in 2001. However, export refunds budget for 2002 is likely to decrease: it amounts to 480 million euro for 2002, versus 572 million euro in 2001, due to reduced exported quantities but also to the foreseen price-reducing effect of Agenda 2000 measures.

The pigmeat heading was reduced to 70 million euro in 2002, versus 88 million euro in 2001. This covers export restitutions only, as no budget was allocated to private storage aid for 2002. Export refunds were budgeted for similar quantities as in 2001, due to unchanged GATT commitments, but at lower levels, given current high domestic prices. Subsidized exports were forecast at 273,500mt of pigmeat at 100 euro/mt and 170,000mt of processed products at 250 euro/mt.

PROPOSED LEGISLATION

WELFARE OF PIGS

In January 2001, the European Commission released a proposed Council Directive amending Directive 91/630 laying down minimum standards for the protection of pigs. The proposal, which has to be adopted by the Council, is based on a 1997 opinion of the Scientific committee on Animal Health and Animal Welfare and on the practical experience of 5 member states with strict requirements for pig welfare.

The proposal prohibits the confinement of pigs during most of their pregnancy to individual stalls and sets out rules on floors and living spaces to improve the living environments of pigs and piglets. Increased training of pig handlers is introduced, as well as tougher regulations on noise, light, and access to materials for rooting.

The 1997 report estimates that the changes to the housing systems could increase production costs by about 0.02 euro/kg pig carcass. However, the long transition period set up in the proposal would reduce this cost increase to about 0.006 euro/kg pig carcass. This proposal has the power to considerably change EU pig production patterns and affect competitiveness.

WELFARE IN TRANSPORTATION

In April 2001, the European Commission issued a proposal tightening up welfare requirements for long-distance transportation of livestock. The proposal, based on a report from the Scientific Committee on Animal Welfare, adds up to existing legislation by requiring compulsory ventilation systems for trucks and compulsory monitoring, warning and recording systems for temperature and humidity in all road vehicles carrying livestock for journeys exceeding eight hours. Acceptable temperatures and humidity rates per species are listed in an annex to the proposal.

The new rules will apply only to the transportation of animals within the EU. Once adopted by the Council, new vehicles will have to meet the new standards as of January 1, 2002 while older vehicles will have to comply

not later than December 31, 2003.

The Commission estimated the implementation costs to between 3 and 5 pct of total transportation costs. It is emphasized that these stricter welfare conditions will have financial benefits, as they will reduce mortality. Nevertheless, the additional financial burden could contribute to a renationalization of EU livestock markets.

HORMONES

Only U.S. beef raised and slaughtered under the Non-Hormone Treated Cattle program (NHTC) can be exported to the EU. No U.S. hormone-treated beef is allowed to enter the European Union.

On January 1, 1989, the European Union implemented a ban on imports of red meat from animals treated with 6 growth promotants, cutting off U.S. beef exports to the EU. A WTO dispute settlement panel case was launched by the United States and Canada in 1996. On February 13, 1998, the WTO dispute settlement body adopted the panel and appellate body report ruling that the EU ban was inconsistent with the principles of the SPS Agreement.

In May 2000, the European Commission, following an EU scientific committee opinion, proposed to ban definitively the use of estradiol in farm animals both for growth promotion and therapeutic purposes and to maintain the current prohibition on growth promotion for the five other hormones on a provisional basis while it seeks more complete scientific information. The Commission states that this provisional ban would be in compliance with the ruling of the Appellate Body. More detailed information on the ongoing hormone dispute can be found on the USEU homepage (<http://www.useu.be/agri>)

ANIMAL BY-PRODUCTS

The proposed regulation on animal by-products laying down health rules concerning animal by-products not intended for human consumption was released in November 2000. The proposal, based on several opinions from the Scientific Steering Committee, would:

- establish the exclusion of dead animals and condemned material from the feed chain. The only raw material allowed to be used for the production of animal feed would then be material derived from animals declared fit for human consumption following inspection. To achieve this, rules are laid down to collect, transport, store, handle, process and use or dispose of animal by-products in order to prevent these products from presenting a risk to animal or public health. The placing on the market, trade and import of animal by-products is also defined.
- establish conditions to ensure that the products imported from a third country are of a hygiene standard equal, or equivalent to the EU standards.
- permit import of petfood and raw material for petfood production under specific conditions, including mandatory registration of establishments, exclusion of fallen stock, sourcing from EU approved establishments.

This proposal will be adopted through the co-decision procedure. The European Parliament concluded its first reading and the Council reached a common position in June 2001. The second reading of the Parliament could be completed as early as July 2001, with a possible entry into force in the fall of 2001.

U.S. authorities have serious concerns about the current proposal and its potential impact on imports from third countries. This proposal does not appear to identify hazards requiring these measures, which would make

standards equivalence hard to establish. The exclusion of fallen stock from feed could also affect U.S. exports of petfood to the EU.

ZOONOSSES

In April 2000, the Scientific Committee on Veterinary Measures relating to Public Health (SCVPH) released an opinion on food-borne zoonoses (http://europa.eu.int/comm/dgs/health_consumer/whatsnew/oldnews0005_en.html). The seven food-borne zoonoses specifically mentioned are salmonella, listeria, e-coli, campylobacter, cryptosporidium, echinococcus granulosus and trichinella spiralis. Several recommendations emerge from the report, including surveillance and early warning of disease, estimation of true disease incidence in humans, common definitions and terminology, comparability of data, establishment of food safety objectives (FSOs), better meat inspection and public health education. The report envisages a broad approach of zoonoses, starting from primary production, including feed, to the final consumer.

Furthermore, the White Paper on Food Safety foresees a review of the existing zoonosis directive (92/117). The revision would aim at introducing mandatory monitoring and reporting of the most important zoonotic infections and setting up a framework for risk reduction measures, based on HACCP procedures. As a first step, existing measures on salmonella would be reinforced and extended from breeding flocks to chicken meat and egg production. They should also be extended to control salmonella in pig and turkey production.

The proposal should be approved by the Commission around July 2001 and sent to the Council and European Parliament under the co-decision procedure. Contentious issues seem to revolve around the financial costs of these measures, the length of transition phases before implementation and generally, and the ambition of zoonoses reduction objectives.

FOOD HYGIENE

In July 2000, the Commission proposed four regulations which merge, harmonize and simplify hygiene requirements previously scattered over 17 existing directives (among which directive 64/433 on health conditions for the production and marketing of fresh meat, directive 77/96 on the examination for trichinae upon importation from third countries of fresh meat derived from domestic swine, directive 77/99 on health problems affecting the production and marketing of meat products and certain other products of animal origin, directive 92/118 laying down animal health and public health requirements governing trade in and imports into the Community of certain animal products, and directive 94/65 on requirements for the production and placing on the market of minced meat and meat preparations). This hygiene legislation is thus more a recast of existing directives rather than the promulgation of new requirements.

These proposals focus on the introduction of a farm to table hygiene policy, starting from primary production, and on the primary responsibility of food producers for food safety. A key principle is also traceability of all food and food ingredients, through the mandatory registration of all establishments and record keeping.

The responsibility for adapting the rules to local situations is, in principle, left to member states, adding an element of flexibility. However, the mere fact that the new legislation will take the form of a regulation rather than a directive, indicates the Commission's will to see measures implemented in a "harmonized" i.e. uniform way.

This would be the first public health regulation which would state that primary producers have to take animal welfare elements into account. It is still uncertain at this point whether welfare requirements will be imposed on third countries as well.

These regulations will be adopted in co-decision procedure, actively involving the European Parliament. The process should be quite lengthy, with a potential adoption occurring in 2002 and a January 1, 2004 implementation date. However, Commission officials already express doubts on the feasibility of an entry into force in 2004. Comments have been sent by U.S. authorities through the SPS channel in November 2000.

Attention will have to be paid to two proposals which should be released in the course of the year: one on the obligation of competent authorities which will deal with the liability attached to EU certificates, and the other on post mortem inspection, which might detail responsibilities deferred to trained technicians versus veterinarians.