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European Union

Agricultural Situation

This Week in European Agriculture

2002

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Report Highlights:

Margin of Preference*Mid-Term Review*Enlargement*Slovenia*Allergen

Labeling*Dairy Reform*Animal By-products*What's New on USEU Web Site*What's

New on DG-SANCO Website*

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Brussels USEU [BE2], E2

This Week in European Union Agriculture is a weekly review of European Union policies and developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from European press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of European developments in agriculture. In no way do the views and opinions of these sources reflect the point of view or official policy of USDA, the U.S. Mission to the EU or any other U.S. Government agency's point of view or official policy.

US AND EU-15 REACH AGREEMENT ON GRAIN IMPORTS: On November 12, the US and EU initialed an agreement in the form of an exchange of letters on changes to the EU's import system for grains, called the "Margin of Preference" or MOP. The EU had proposed replacing the MOP system for all grains with tariff rate quotas (TRQs), unbinding a major concession from the Uruguay Round of WTO negotiations. Due to the strong negative reaction from trading partners, led by the US, the EU agreed to establish TRQs for medium and low quality wheat and barley only, leaving the system unchanged for other feed grains and the high quality and durum wheats which are the main US exports to the EU. In addition, within the TRQ for medium and low quality wheat, the US negotiated a country-specific allocation of 572,000, which provides access that exceeds any amount the United States has exported to the EU over the past 10 years. US high quality malting barley exports to the EU will also be protected by the establishment of a specific quota for malting barley of 50,000 MT. The US-EU deal will now need to be formally approved by the EU Council.

For further information, see <http://www.useu.be/agri/mop.html>.

REACTIONS TO US-EU GRAIN DEAL Reuters reported that French grain producers have suggested that controls on high quality wheat standards should be toughened to ensure that the new quota system is effective. Producer groups expressed concern that low-quality wheat would be mis-classified as high-quality in order to avoid the new TRQ and called on the European Commission to step up controls on wheat imports.

A separate report indicated that Russian officials have repeated threats to retaliate against the EU's quotas on grain by imposing restrictions on EU meat exports to Russia. Russian negotiators are in Brussels pushing for a country specific allocation for Russia of at least three or four million tons for wheat. The global portion of the quota for wheat under the US-EU deal is for 2.4 million tons. As Russia is not yet a WTO member, the EU is not required to provide compensation for unbinding the MOP concession. However, as a non-member, Russia is also not restricted in its ability to retaliate. Russia is a major export market for EU meat products, particularly pork.

EU TRADE COMMISSIONER COMMENTS ON IMPACT OF SUMMIT DEAL

On November 12, EU Trade Commissioner Lamy appeared before the European Parliament to discuss the EU's approach to the Sydney WTO ministerial. During his remarks, he mentioned that the recent Chirac-Schroeder deal on CAP financing means that the Commission needs to

revise its WTO negotiating strategy. Lamy stated that the new cap on the agricultural budget would require even more rigorous reform than was initially contemplated in the Mid-term review. He strongly defended the Commission's proposals for de-coupling support, which he considers the best way for the EU to meet its objectives with regard to development, environment and international trade. More will be known about the ultimate impact of the Chirac-Schroeder deal on CAP reform during December 2002 and January 2003 as enlargement negotiations are finalized and the Commission publishes legislative proposals for Mid-term review.

ENLARGEMENT TIMETABLE Reuters reported that EU Foreign Ministers are likely to propose April 1 or May 1, 2004 as the formal dates for enlargement to allow time for candidate country parliaments to ratify the treaties and to minimize the impact of payments into the EU budget for the new countries during their first year of membership. Budgetary payments are made in 12 monthly installments per year, so a delay in joining would save on the first few months of payments. At the same time, the full annual amount of budgetary transfers (for infrastructure and poorer regions) from Brussels to the new members would still be possible even with the later starting date. While January 1, 2004 has frequently been cited as the formal date for enlargement, insiders have said for months that it would likely slip past that date and take place sometime during the first six months of 2004. This was confirmed by Enlargement Commissioner Guenter Verheugen, who stated that accession would take place between January 1 and June 1, 2004 to ensure that the new countries could participate in the June 2004 European Parliament elections.

DOUBLE-PROFIT AGREEMENT WITH SLOVENIA (from Uniting Europe) The European Commission officially submitted for Member State approval the "double-profit" agreement on agricultural trade with Slovenia. This agreement builds upon existing concessions and offers new concessions particularly for cereals. The deal reportedly includes reciprocal duty-free quotas for 20,000 metric tons of wheat, 9,000 metric tons of rye, 32,000 metric tons of barley and 20,000 metric tons of corn. Trade in other cereals and several other agricultural products will be completely liberalized. Once approved by the Member States, the agreement is expected to enter into force on January 1, 2003.

ALLERGEN LABELING On November 14, the Council reached a common position on the Commission's proposal to amend food labeling directive 2000/13/EC. Under the new rules, listing all ingredients and sub-ingredients of compound ingredients will become mandatory. This means that the amendment abolishes the "25% rule" under which the labeling of components of compound ingredients making up less than 25% of the final food product is not obligatory. In addition, some labeling exceptions will no longer be accepted for allergens. For example, ingredients such as peanut oil can no longer be labeled as vegetable oil because "peanuts and other products" are on the list of potential allergenic ingredients. The new rules will also apply to alcoholic beverages if they contain ingredients on the allergen list. The list of potential allergenic ingredients to be labeled include: cereals containing gluten, crustaceans, eggs, fish, peanuts, soybeans, milk and dairy products, nuts, celery, mustard, sesame seeds and sulphur dioxide and sulphites. Implementation of the new rules is expected by 2005.

DAIRY REFORM STUDY PUBLISHED The European Commission has published a new study analyzing the four options proposed for dairy reform in the Commission's July 2002

options paper. The study is available on the following website:
http://europa.eu.int/comm/agriculture/publi/reports/milkquota/inrawag_en.pdf

QUESTIONS AND ANSWERS ON ANIMAL BY-PRODUCTS In conjunction with the November 13 meeting (see last week's report), the EU's Health and Consumer Protection Directorate-General (DG-SANCO) published questions and answers on animal by-products, available at the following website:
http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=MEMO/02/248|0|RAPID&lg=EN&display=

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UPCOMING MEETINGS OF INTEREST

AGRICULTURE COUNCIL The November meeting of the EU Agriculture Council is scheduled for November 27-29. Possible topics on the agenda include: Biotech food and feed proposals, and veterinary issues. A more complete agenda will be available next week.

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RECENT REPORTS FROM USEU BRUSSELS

Report Number	Title	Date released
E22104	Fruit and Vegetables - CY 2001 Statistics	Nov 7, 2002
E22105	EU Weekly rice report	Nov 12, 2002
E22106	This Week in European Agriculture	Nov 13, 2002
E22107	Approval of U.S. Beef Plant	Nov 14, 2002

VISIT OUR WEBSITE: The FAS/USEU website is updated daily. Also you can sign up to receive the monthly "What's New" e-mail newsletter. To view the website, log onto www.useu.be/agri/usda.html.

WHAT'S NEW ON THE USEU AGRICULTURAL WEBSITE (November 1-15)

- Margin of Preference (updated)
www.useu.be/agri/mop.html
- Biotechnology (updated)
www.useu.be/agri/GMOs.html
- Enlargement (updated)

www.useu.be/agri/enlargement.html

- Fruit & Vegetables 2001 Statistics, Fruit & Vegetables Export Refunds

www.useu.be/agri/hortireps.html

- Marketing Standards for Citrus (amendment)

www.useu.be/agri/Fruit-Veg.html

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WHAT'S NEW ON THE DG-SANCO (DIRECTORATE FOR HEALTH AND CONSUMER PROTECTION) WEBSITE:

Standing Committee on Agricultural, Horticultural and Forestry Seeds and Plants

- Short report of the meeting held on 11 October 2002

http://europa.eu.int/comm/food/fs/rc/scsp/rap34_en.pdf

International Food Safety Issues

- Codex Alimentarius : CCGP - Codex Committee on General Principles (updated)

http://europa.eu.int/comm/food/fs/ifsi/eupositions/ccgp/ccgp_index_en.html

- Codex Alimentarius : CCFICS - Codex Committee on Food Import and Export Certification and Inspection (updated)

http://europa.eu.int/comm/food/fs/ifsi/eupositions/ccfics_index_en.html

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