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Proposed Novel Foods Regulation could impede Animal Product Exports

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Report Highlights:

The European Parliament and Council are currently in Conciliation to decide on a proposed revision to the novel food regulation. Parliament has voted for an all-out ban on cloning and products, but the Commission recommends implementing a five-year moratorium on cloning and establishing a traceability system for genetics. U.S. exports of beef, pork, dairy and genetic products could be affected by decisions made during this process. The Conciliation process will end on March 29, 2011.

General Information:

BACKGROUND

Animal cloning is currently among the most sensitive agricultural policy issues in the European Union. The European Parliament, Council and Commission have been unable to agree on a proposed revision to the novel foods regulation largely because of divergent views on the animal cloning component. The EU defines novel food as food or food ingredient not widely used for human consumption within the European Union before May 15, 1997. Parliament has argued for an all-out ban of clones, their offspring and products, while the Council and the Commission hold a more moderate position. In October 2010, the Commission issued a report on cloning to the Council and Parliament in which it made the following recommendations:

1. Suspend for five years the use of the cloning technique in food production within the EU as well as the use and marketing of food from clones, but not offspring.
2. Establish a traceability system for imports of semen and embryos to allow farmers and industry to set up EU databank(s) for offspring.

Although food from offspring was not included in either of these recommendations, the report suggested that the traceability system could also be used to identify such foods.

Post has engaged both members of Parliament and interest groups in the cloning debate. Most concede that there is no food safety concern associated with the technique, as did EFSA [1], but animal welfare and ethics are often posited as reasons for opposing cloning. European consumers' distaste for cloning has also been put forward as a reason to oppose the technique, though how consumers' views are formed remain a mystery as there is no public debate or educational campaign on the topic.

Parliament and the European Council are currently in Conciliation [2] on the revised novel foods regulation and they are required to achieve consensus by March 29, 2011 or the regulation will not be approved.

IMPLICATIONS

Among the possible outcomes of the Conciliation process, all of which could have implications for our trade, one of the following scenarios seems most likely.

1. Parliament and the Council could fail to achieve the required consensus and the regulation dies. In this case the status quo would prevail and trade would continue as usual.
2. Alternatively, Parliament and the Council could opt to remove the contentious animal cloning element from the regulation and recommend a separate regulation be made for cloning. In such a scenario, there would likely be some provision for handling cloning in the interim until the new regulation was approved.
3. Another possibility could be that Parliament and the Council achieve consensus on the current draft regulation and decide to keep-in the cloning element but opt for either an all-out ban on

cloning or establishment of a traceability system for products.

If the Conciliation process fails and the revised novel foods regulation is not adopted (scenario 1) our trade would continue as usual under the current regulation. In 2009, U.S. exports of animal products were valued at \$131 million and increased 58%, year-on-year, for the first ten months of 2010. While not all animal products may be affected by a change in the novel foods regulation, the products below would be the most likely.

U.S. Animal Product Exports to the EU by value (\$1,000)						
Products	2007	2008	2009	Jan - Oct 2009	Jan - Oct 2010	% Change
Animal Genetics	29,137	36,530	31,887	25,914	28,051	8%
<i>Bull Semen</i>	24,732	31,434	27,769	22,318	25,555	15
<i>Cattle Embryos</i>	4,404	5,095	4,117	3,596	2,496	-31
Meat	64,223	141,766	93,893	71,770	109,374	52%
<i>Beef</i>	24,714	53,221	67,749	51,115	88,226	73
<i>Pork</i>	39,509	88,545	26,144	20,655	21,149	2
Dairy Products	60,367	72,831	4,935	4,021	23,284	479%
<i>Milk and cream</i>	10,138	14,843	688	655	5,249	701
<i>Whey and Products</i>	4,013	3,306	1,576	1,380	2,280	65
<i>Butter</i>	31,566	29,484	687	119	12,737	1,0618
<i>Cheese and Curd</i>	14,650	25,198	1,983	1,867	3,019	62
Animal Products TOTAL	153,727	251,127	130,715	101,705	160,710	58%

Source: Global Trade Atlas

Any change to the current regulation could affect our trade and even have far-reaching effect. Depending on the measures adopted in either scenario 2 or 3, the effect on our exports of beef, pork, dairy or genetic products could range from minimal to crippling. If a complete ban on cloning is adopted then trade in these products and any products that contain them could likely come to a halt. In such a scenario, exports would be subject to proving or guaranteeing they do not contain product(s) from clones, be it offspring or descendant. This would in effect require the health certificate and/or product label to attest to this. If the approach adopted requires implementation of a traceability system, this could also work as a *de facto* ban on products from exporting countries unable to comply.

Post will continue to monitor developments in the novel foods' Conciliation process and update as needed.

^[1] European Food Safety Authority

^[2] Conciliation is the final phase of the co-decision process wherein representatives from the Council and European Parliament along with the relevant Commissioner work, within a prescribed timeframe, to agree on a 'joint text' or compromise on a proposed regulation.