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U.S. Trade Concerns Regarding the EU's Farm to Fork Strategy

In May 2020, the European Union (EU) proposed its Farm to Fork (F2F) Strategy and its Biodiversity Strategy, which would impose restrictions on EU agriculture through targeted reductions in the use of land, antimicrobials, fertilizers, and pesticides. These strategies are part of the European Green Deal, which if adopted by the EU, would make the continent “climate-neutral” by 2050.

U.S. officials contend that these proposed strategies could extend beyond the EU and result in additional restrictions on U.S. food and agricultural exports to the EU. They contend that the F2F’s focus on specific agricultural practices and promotion of local production is protectionist and could impact U.S.-EU trade relations. Strategies underlying the European Green Deal come at a contentious time in U.S.-EU agricultural trade relations. In November 2020, the EU imposed additional tariffs on approximately \$4.0 billion worth of EU imports annually from the United States, covering a range of agricultural and industrial products. Higher EU tariffs were in retaliation for higher U.S. tariffs imposed on certain EU products in 2019. Both the U.S. and EU tariff actions were in response to the Boeing-Airbus subsidy dispute at the World Trade Organization (WTO) and were approved by the WTO.

U.S.-EU Agricultural Trade Overview

The United States and EU are the world’s largest trade and investment partners. However, while food and agricultural trade between the United States and the EU27 (excluding the United Kingdom) accounts for less than 1% of the value of overall U.S.-EU27 trade in total goods and services, the EU27 remains a large market for U.S. agricultural exports. It accounted for about 8% of the value of all U.S. agricultural and related product exports and ranked as the fifth largest market for U.S. exports of these products in 2019, after Canada, Mexico, China, and Japan.

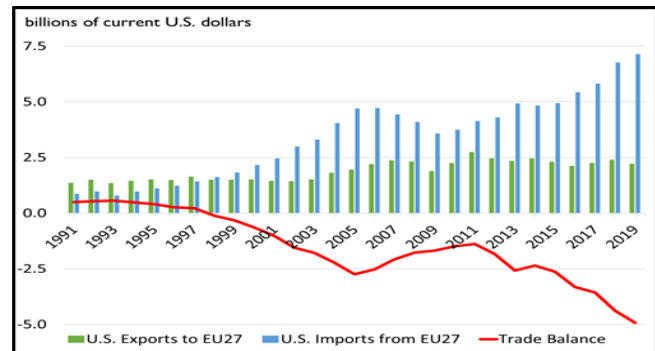
Currently, a sizable imbalance exists in terms of the value of agricultural trade between the United States and the EU27. In 2019, U.S. agricultural and related product exports to the EU27 totaled \$12.4 billion, and U.S. agricultural and related product imports from the EU27 totaled \$29.7 billion, resulting in a U.S. trade deficit of approximately \$17.3 billion. This is the reverse of U.S. agricultural trade surpluses with the EU27 during the 1990s (**Figure 1**). Leading U.S. agricultural exports to the EU27 in 2019 were corn and soybeans, tree nuts, distilled spirits, wine and beer, and fish products. Leading U.S. agricultural imports from the EU27 were distilled spirits, wine and beer, olive oil, and cheese.

Overview of EU's Proposed Strategies

The European Green Deal, launched in December 2019, provides an action plan that states, among other goals, the

EU’s intention of “working with international partners to improve global environmental standards.” Its goals include promoting efficient resource use; restoring biodiversity; and reducing environmental pollution through research, investment, data and technology, and advisory services. There are efforts in the EU to amend existing law to “turn this political commitment into a legal obligation.”

Figure 1. U.S.-EU27 Agricultural Trade, 1991-2019



Source: CRS from U.S. Department of Agriculture data for “Total Agricultural and Related Products (BICO-HS6).” EU27 excludes UK.

Central to the European Green Deal is the F2F Strategy. F2F is promoted as a “new comprehensive approach to how Europeans value food sustainability” focused on “environmental, health and social benefits,” as well as “ensuring a sustainable livelihood for primary producers.” Its goals include ensuring sustainable food production across the supply chain; ensuring food security; “facilitating the shift to healthy, sustainable diets”; reducing food loss and waste; and combating food fraud.

A key F2F goal is to promote a “global transition to sustainable agri-food systems” in line with the EU’s overall objectives. The EU seeks to “require increasingly sustainable practices by our trading partners.” As stated in F2F, “EU trade policy should contribute to enhance cooperation with and to obtain ambitious commitments from third countries in key areas such as animal welfare, the use of pesticides and the fight against antimicrobial resistance.” In addition, the EU will “strive to promote international standards in the relevant international bodies and encourage the production of agri-food products complying with high safety and sustainability standards,” along with meeting other goals, including to “support small-scale farmers” and reduce food waste. F2F further states that the EU will consider extending “mandatory origin or provenance indications to certain products.” U.S. officials are concerned that foods imported into the EU may need to conform to these production and labeling standards.

The EU’s F2F and Biodiversity Strategies propose 2030 targeted reductions in the use of land and chemical input, including those shown in the following shaded text box.

Selected Targets in the EU's Proposed Plan

- Reduce the use of chemical and hazardous pesticides by 50%, including implementation of the EU Pollinators initiative;
- Provide space for wild animals, plants, pollinators, and natural pest regulators by setting aside at least 10% of agricultural area under high-diversity landscape features, such as buffer stripes, hedges, nonproductive trees, and ponds;
- Reduce nutrient losses through air, soil, and water pollution by at least 50%, and reduce fertilizer use by 20%;
- Reduce the sale of antimicrobials in farm animals and aquaculture by 50%;
- Grow organic farming sector to 25% of total farmland use;
- Restore significant areas of degraded and carbon-rich ecosystems, with at least 30% to reach "favorable conservation status or at least show a positive trend."

The Biodiversity Strategy further highlights practices such as precision agriculture, agroforestry, low-intensive permanent grassland, stricter animal welfare standards, and the "greening" of urban and peri-urban (outskirt) areas. Similarly to F2F, the Biodiversity Strategy aims to ensure that the EU's trade policies will "actively support and be part of the ecological transition" and "ensure full implementation and enforcement of the biodiversity provisions in all trade agreements." EU authorities would also assess the "impact of trade agreements on biodiversity, with follow-up action to strengthen the biodiversity provisions of existing and new agreements if relevant."

Reactions in the European Union

In October 2020, 27 EU Ministers of Agriculture adopted "Council Conclusions" related to F2F. The Ministers endorsed the goal of developing an EU sustainable food system but requested that the legislative proposals be based on "scientifically-sound ex-ante impact assessments" and asked that their implementation be cost-effective and compatible with WTO rules, among other considerations.

The EU farmers association, COPA-COGECA, expressed concern that the proposed F2F targets could adversely impact the EU's farming sectors. COPA-COGECA also asked why EU policymakers have not released an impact assessment of these proposed targets, highlighting that such a study was conducted by the U.S. Department of Agriculture (USDA). USDA's analysis, *Economic and Food Security Impacts of Agricultural Input Reduction Under the European Union Green Deal's Farm to Fork and Biodiversity Strategies*, released in November 2020, concluded the EU's proposal would result in reduced food production and higher food prices worldwide. EU officials have rejected USDA's analysis, claiming it underestimates the impact that new technologies can have over time. EU officials also asserted that the EU's proposed strategies would strengthen the resilience of the EU food system, among other broader economic benefits.

Reactions in the United States

The EU's proposed F2F and Biodiversity Strategies were not well received by USDA officials. At an October 2020 press briefing, USDA Secretary Sonny Perdue stated that the EU's proposal likely would be "extremely problematic" for transatlantic trade and any future U.S.-EU trade talks, particularly with regard to international trade standards. At

a meeting with EU lawmakers, Perdue indicated that the proposed plan would jeopardize agricultural output and be trade prohibitive. The EU Agriculture Commissioner contends that the F2F plan "does not imply any new trade barriers." Perdue has further suggested that the United States might pursue a WTO challenge if the EU moves forward with its proposal. Several WTO member countries also raised concerns about the EU's plan at a recent WTO Sanitary and Phytosanitary (SPS) Committee meeting.

There are also concerns in the United States about whether targets proposed in the EU's strategies might restrict the use of certain types of production-related practices on products imported into the EU. The possibility that the proposed targets may result in additional restrictions on U.S. food and agricultural exports to the EU could heighten already tense trade relations between the two trading blocs. Any additional restrictions could add to long-standing trade disputes involving EU SPS standards. These include EU restrictions on the use of agricultural biotechnology and EU prohibitions on the use of hormones in meat production and the use of pathogen reduction treatments for poultry. These types of practices are commonly used in the United States. The United States has also raised concerns about the EU's review process for determining maximum residue levels, or the maximum amount of a pesticide residue that is allowed to remain on or in food or feed. EU officials say they do not expect to impose EU policies in other countries but instead to "cooperate with like-minded countries."

Ongoing U.S.-EU trade talks could provide an opportunity to discuss various trade-related concerns between the two trading partners. However, the United States and EU have disagreed on whether to include agricultural issues in efforts to negotiate a new U.S.-EU trade agreement. While U.S. negotiating objectives, released in January 2019, included agriculture, the EU's negotiating mandate of April 2019 specifically excluded agricultural products. In part, the exclusion of agriculture is due to EU commercial and cultural practices, which are often enshrined in EU laws and regulations—and differ from those in the United States. In 2016, U.S.-EU negotiations to create a Transatlantic Trade and Investment Partnership stalled. Among the areas of contention were (and continue to be) regulatory and administrative policy differences between the United States and EU. These issues often involve SPS standards and other technical barriers to trade.

Considerations for Congress

International standards and other related technical barriers to trade are a concern for many in Congress, especially those with agricultural constituencies. The United States continues to raise long-standing concerns involving EU SPS standards. Proposed targets in the EU's F2F plan could further exacerbate this situation, given regulatory and administrative differences between the United States and the EU nations. In the event that agriculture were excluded from future U.S.-EU trade talks, the United States may seek to examine or address these types of barriers to U.S.-EU agricultural trade.

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