TRADING AWAY EU FARMERS
THE RISKS TO EUROPE’S AGRICULTURE FROM THE TTIP
APRIL 2016

The Transatlantic Trade and Investment Partnership (TTIP) could have major impacts on farming and food production in the European Union. Corporate lobby groups on both sides of the Atlantic are pushing for more market access, but European and American food is produced to different standards of food safety, animal welfare and environmental protection.

The food and drink industry in the European Union has an estimated turnover of €1.2 trillion, but the trade is highly complex, with variations between farming sectors, types of manufacturer and different member states. Only a few studies have even attempted to assess the impact of the TTIP on food and farming, and they have struggled to capture this complexity.

The studies show that export opportunities created through any TTIP do not necessarily translate into better incomes, with the US Department of Agriculture predicting falls in the price paid to EU farmers in every food category. European gains are restricted to a few sectors, such as cheese, but even these are highly dependent on the US making changes to the ‘non-tariff measures’ that it uses to restrict trade. The models predict that the TTIP will increase food and agriculture imports from the US, to the possible detriment of EU farmers, with the existence of whole sectors potentially threatened. Producers supplying the EU from other world regions would also potentially lose out as trade is displaced by US producers. Civil society groups and farming organisations have expressed concern that the TTIP will lead to the further intensification and corporate concentration of agriculture on both sides of the Atlantic. Consumer and environmental protection may suffer too, because both US government and producer organisations are openly calling for the EU to weaken protection in areas such as the approval of GM foods, pesticide safety rules and the bans on hormones and pathogen washes in meat production.
EU markets are far more important for resistance to this from US lobby groups. The TTIP agreement, but there is fierce Geographical Indications in the great importance on getting protection which account for around 6% of total protected status to regional produce, trade: champagne, cognac, scotch the UK) accounted for 86% of GI exports the interests of other farming sectors are negotiating a deal on GI produce, this could be “potentially far-reaching social and environmental consequences for some EU regions”.

Even if the Commission is successful in negotiating a deal on GI produce, this seems most likely to benefit a specific group of producers in a small number of member states. There are concerns that the interests of other farming sectors are being traded away in the Commission’s push to get an agreement.

The European Commission argues that the TTIP will increase EU dairy exports, but most of the gains will be for cheese6. The Commission also appears to be placing greater emphasis on getting protection for a list of registered Geographical Indications, a large proportion of which are expected to be cheeses. Farmer organisations have expressed concern that the interests of other dairy sectors will be sacrificed by the Commission in order to strike a deal.

Dairy trade is complex, with very different products (from dried milk to traditional cheeses), and retailers varying from multinational corporations to small farmers. Changes to EU milk quotas and the subsidy regime are already having major impacts on dairy farming. The European Commission wants better access to US dairy markets through the TTIP, but in recent negotiations with Pacific countries the US government gave few concessions that would hurt its dairy industry.

The economic models predict substantial increases in dairy trade flows as a consequence of the TTIP - US exports are predicted to rise by up to $6.4 billion, with EU exports increasing by up to $3.7 billion, although the authors state that these figures should be treated with caution27. Despite increasing trade, European dairy farmers could experience falling prices28 and in some member states, particularly Austria, Benelux and the UK, the value of the entire dairy industry is predicted to decline.

The European Commission states that the TTIP will not affect US legislation or procedures on GM crops, statements have been made by US government agencies, highlighting GM regulation as a matter for the negotiations.

The models predict that tariff elimination within the TTIP will have a negative impact on EU cereals production, with declines of up to 6% in some member states29. EU production of wheat, maize and oilseed rape are all predicted to decline in most scenarios, and a trade agreement may lead to large EU imports from the US30. However, the consequences for arable farmers are difficult to predict because they can grow other crops.

At the moment, US imports are restricted due to the EU’s ban on beef hormones31 and limited import quota for hormone-free beef. There has been a lot of pressure for the ban to be lifted32, but it is thought more likely that a deal will be struck for increased imports of US hormone-free beef. It is possible that a quota will be agreed for US beef imports, rather than a complete removal of tariffs, but this could still have severe impacts on EU farmers33. One French farming organisation has suggested that the expected quota, combined with one recently agreed for Canada, could lead to a “40% to 50% drop in revenue for... European cattle farmers”.

The US and EU are both major producers, although they differ in their most important crops34. Trade is fairly minor - the US is not an important destination for any EU cereals, sugar beets, and the only major US export to the EU is of soybeans and soymeal.

The US Department of Agriculture is only the main source of EU poultry meat imports, of poultry products as a consequence of the TTIP35. Other research suggests that this may be because US poultry meat imports will still face strict competition from Brazil and Thailand36, which are the main source of EU poultry meat imports at present. None of the economic modelling studies have examined the impact of the TTIP on egg production.

EU pork production is twice the size of the US industry37, and has stricter animal welfare standards38. The EU market is second only to China’s, and US producer lobbies are keen to gain access48. However, imports from the US are currently very low because the EU does not allow the marketing of meat containing residues of growth promoters such as ractopamine due to concerns about its safety for consumers: 60% to 80% of US pigs are treated with this hormone.

As well as elimination of the ractopamine ban, US lobby groups are pushing for the complete elimination of tariffs. Historically, the EU has been very protective of the pork industry and so it is more likely to offer a large quota for ractopamine-free pork, which could still encourage the development of a segregated supply system.

Most of the economic modelling does not distinguish pork separately from other meats, but does predict that tariff elimination could lead to declines in the EU’s ‘white meat’ sector, of up to 9% in the Baltic states, as well as “significant extra imports and new economic difficulties for EU producers”.

GEOGRAPHICAL INDICATIONS

A Geographical Indication (GI) gives protected status to regional produce, which account for around 6% of total food and wine sales within the EU. The European Commission has placed great importance on getting protection for Geographical Indications in the TTIP agreement, but there is fierce opposition from US lobby groups.

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The analyses predict that the TTIP will increase imports from the US, while having fewer benefits for EU producers. Studies foresee a decline of up to 28% for EU agriculture’s contribution to GDP, while US agriculture’s contribution to GDP increases by 1.3%. The US Department of Agriculture is predicting falls in the price paid to European farmers in every food category.

Tackled together, the economic modelling studies predict that the TTIP could have serious impacts on a number of EU farming sectors, with many farmers across the EU struggling, while only a few benefit.

CONCLUSION

The US and EU are both major producers, although they differ in their most important crops. Trade is fairly minor - the US is not an important destination for any EU cereals, sugar beets, and the only major US export to the EU is of soybeans and soymeal.

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ENDNOTES


38. Ibid. p 57.


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