



# **TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP)**

## **STRATEGIES FOR AGRICULTURE**

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## Time table

Preliminary position on the opening of EU-USA bilateral negotiations

## Preliminary results

Poultry, Pork and Beef

## Round table: exchange of views

- Set priorities for the negotiations
- Discussion on market access modalities
- Identify sensitive sectors
- Provide recommendations for selective tariff lines

# TIME TABLE

Strong Political support in the US and EU

First round of negotiations: July 2013

Second round of negotiations / third round December 2013

End Game: October 2014 (14 months) vs. Jan 2017 (Obama administration)

Elections of the EP - Spring 2014 & Change of the EU negotiator (October 2014)

Ratification – +- 24 months (agreement, verification Council, ratification EP and national parliaments)

Sustainability - Impact assessment

1st round housekeeping, 2nd round regulatory issues, 3<sup>rd</sup> round decision sensitive sectors, 3<sup>rd</sup>/4<sup>th</sup> quarter 2014 – true negotiations

# PRELIMINARY POSITION ON THE OPENING OF EU-USA BILATERAL NEGOTIATIONS

- Agriculture represents a small part of the transatlantic business and is balanced
- The USA is also the 3<sup>rd</sup> biggest provider of agricultural materials to the EU
- The livestock sector will be the most sensitive issue during these negotiations because of tariff and non-tariff matters.
- The issue of GI is crucial for the EU producers
- Multilateral negotiations at the WTO

# PRELIMINARY IMPACT ASSESSMENT – EU POULTRY MEAT MARKET

Transport Cost estimated 13€/100 kg – (0.25 € brazil – Europe)  
beef 14.5€/100 kg and pig meat 13.5 €/100 kg

The average exchange rate applied:

Average exchange rate 2011: Euros – USA Dollar = 1.392

Average exchange rate 2012: Euros – USA Dollar = 1.2848

Average Exchange Rate 2008-2012 - Euro-USA Dollar = 1,37362

(Source: European Central Bank)

Tariffs applied to the poultry meat products in EU:

Price:

- USDA National Agricultural Statistics Service and National chicken council
- Annual Market Prices for Broilers (65%) in the EU – CIRCA

# CURRENT TRADE

Current situation:

The European poultry meat market is open to imports from international markets (843,000 tonnes of poultry meat in 2012)

Together the USA, China, Brazil & the EU account for 56.2 % of total world production

Trade balance: quantity favourable to the EU but value is more favourable to the US

## Current situation – EU imports from the USA

O2 - Poultrymeat	2006	2007	2008	2009	2010	2011
Quantity in 100 kg	66	0.2	0.3	0.2	0.4	0.1
Value (€)	32	4.9	7.1	4	5.2	2.3

## Current situation – EU exports to the USA

O2 - Poultrymeat	2006	2007	2008	2009	2010	2011
Quantity in 100 kg	0.6	0.8	0.8	0.8	0.9	1.4
Value (€)	1.5	1.3	0.9	0.9	1.1	1.5

# ANNUAL PRICES FOR BROILERS - EU VS. USA

Difficult to compare prices:

The sector in the US is very integrated

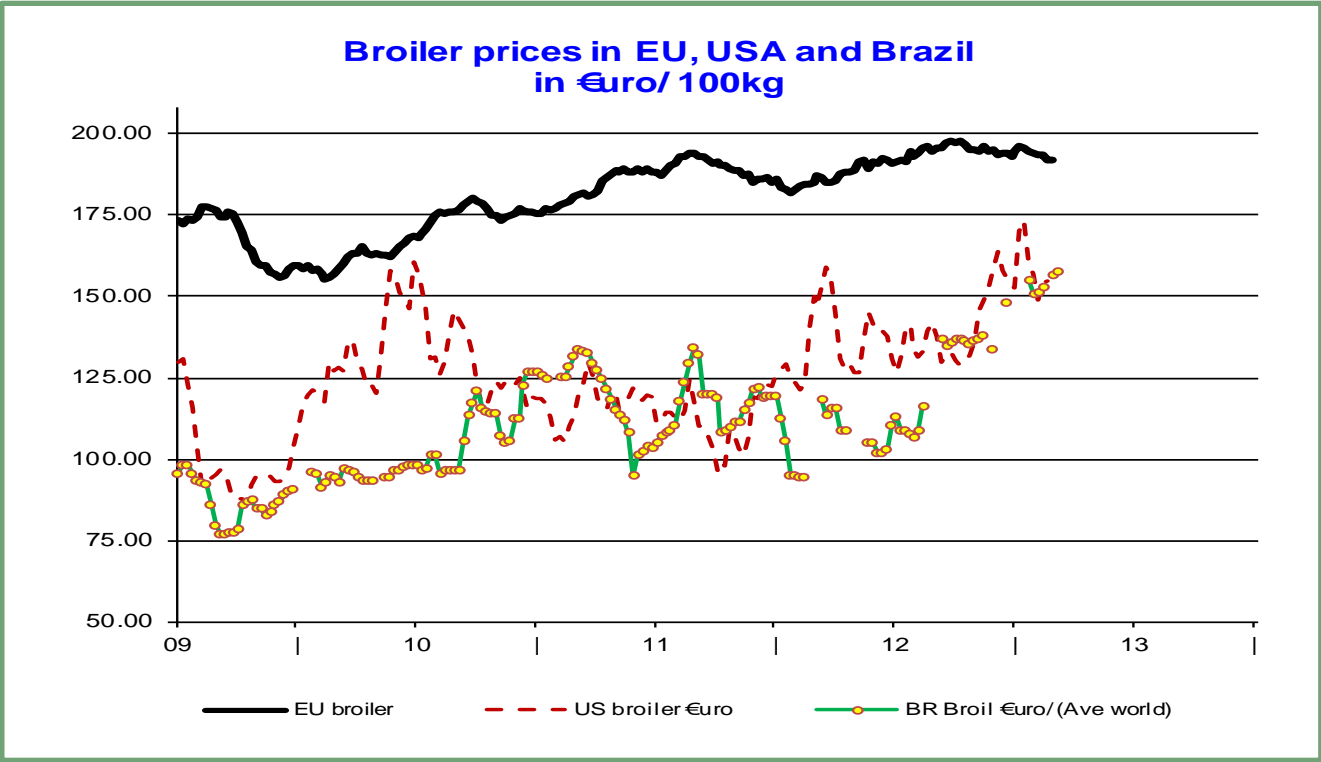
Wholesale price the closest?

High value cuts: chicken breast (20% of carcass weight)

Prices Received Broilers	Price (€/100 kg)	Price (€/100 kg) + transport	Retails price for broilers	Price (€/100 kg)	Price (€/100 kg) + transport
Live weight equivalent price			Wholesale weight basis		
Price 2008	69.86	82.86	Price 2008	180.95	193.95
Price 2009	71.61	84.61	Price 2009	202.51	215.51
Price 2010	81.67	94.67	Price 2010	210.07	223.07
Price 2011	72.71	85.71	Price 2011	204.5	217.5
Price 2012	82.53	95.53	Price 2012	229.12	242.12
Average 2008-2012	76.25	89.25	Average 2008-2012	204.73	217.73

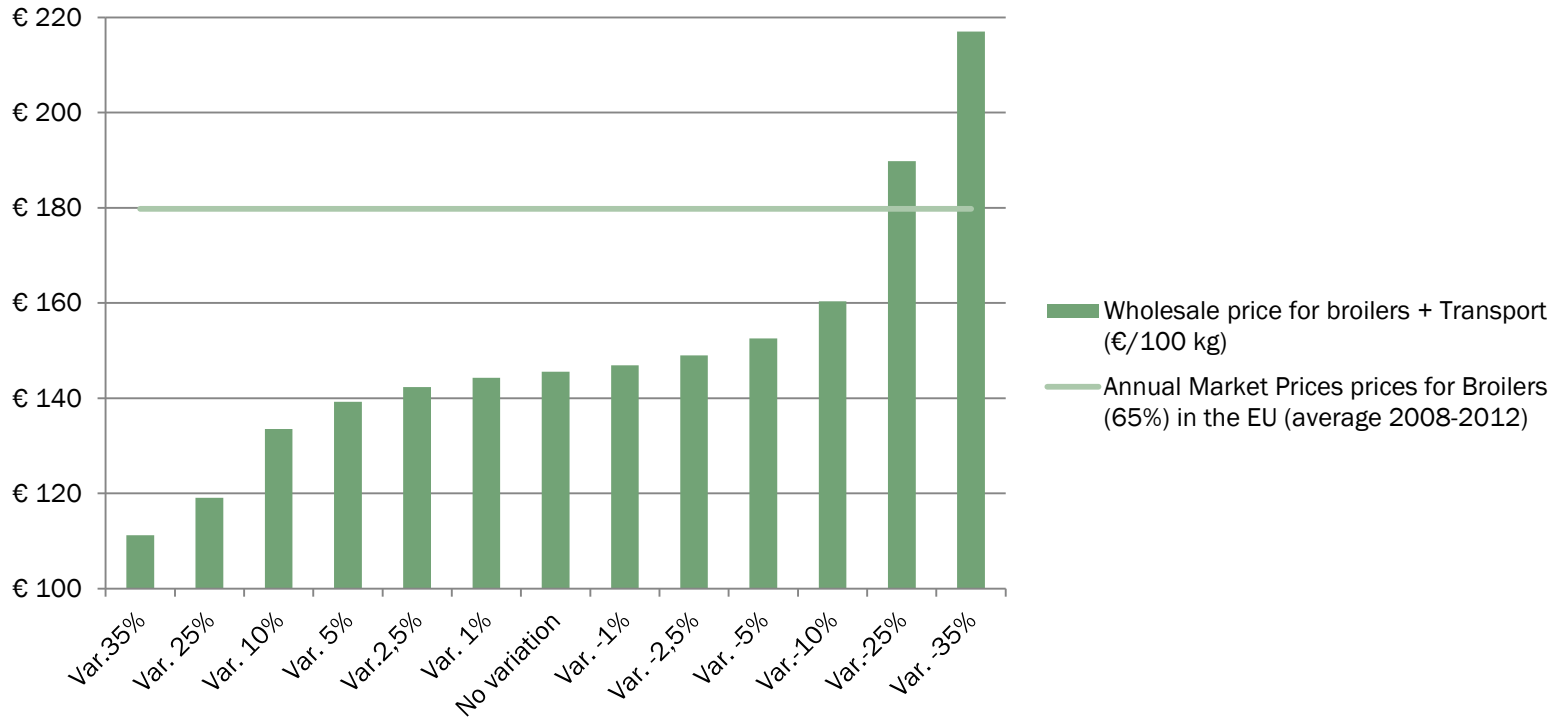
Wholesale price for Broilers	Price (€/100 kg)	Price (€/100 kg) + transport	Annual Market Prices for Broilers (65%) in EU	Price (€/100 kg)	Price (€/100 kg) + transport
Wholesale weight basis <sup>6</sup>			EU average		
Price 2008	119.48	132.48	Price 2008	180.30	N.A.
Price 2009	122.99	135.99	Price 2009	169.67	N.A.
Price 2010	138.05	151.05	Price 2010	170.10	N.A.
Price 2011	125.14	138.14	Price 2011	187.04	N.A.
Price 2012	160.47	173.47	Price 2012	191.79	N.A.
Average 2008-2012	132.6	145.6	Average 2008-2012	179.78	N.A.

# WEEKLY EU AND US BROILER PRICES

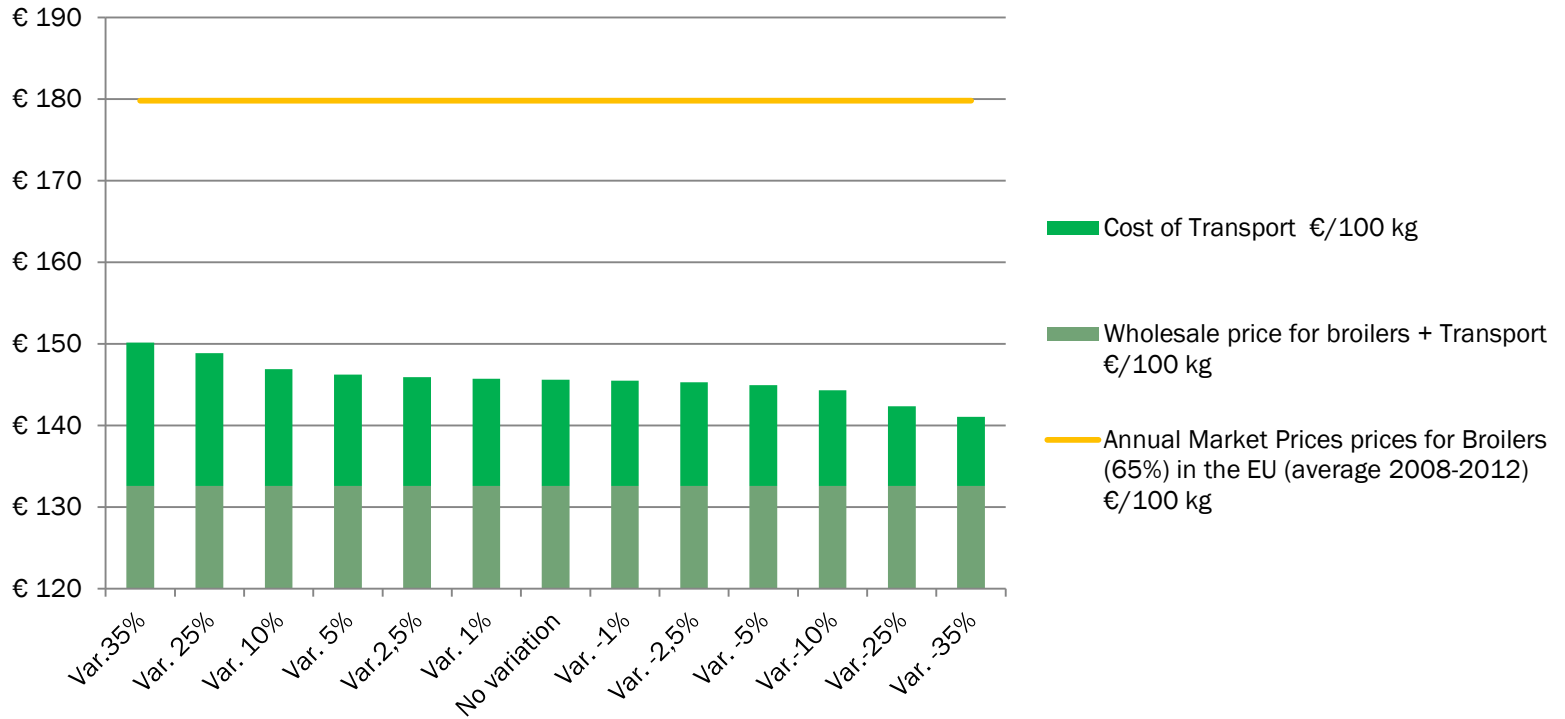




# VARIATIONS OF THE EXCHANGE RATE

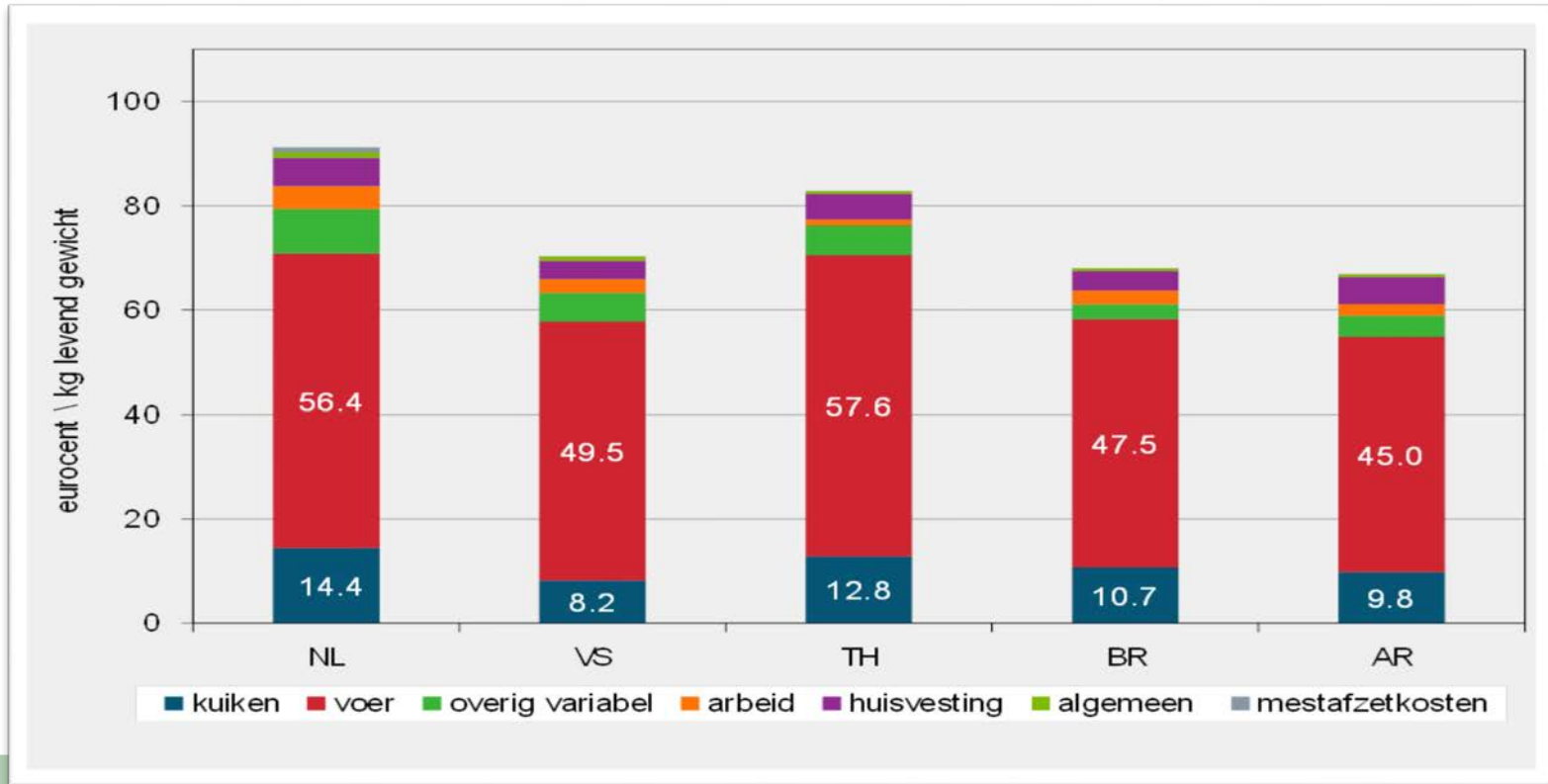


# TRANSPORT COST VARIATIONS



# ANALYSIS OF QUALITATIVE FACTORS

Cost price in 2011

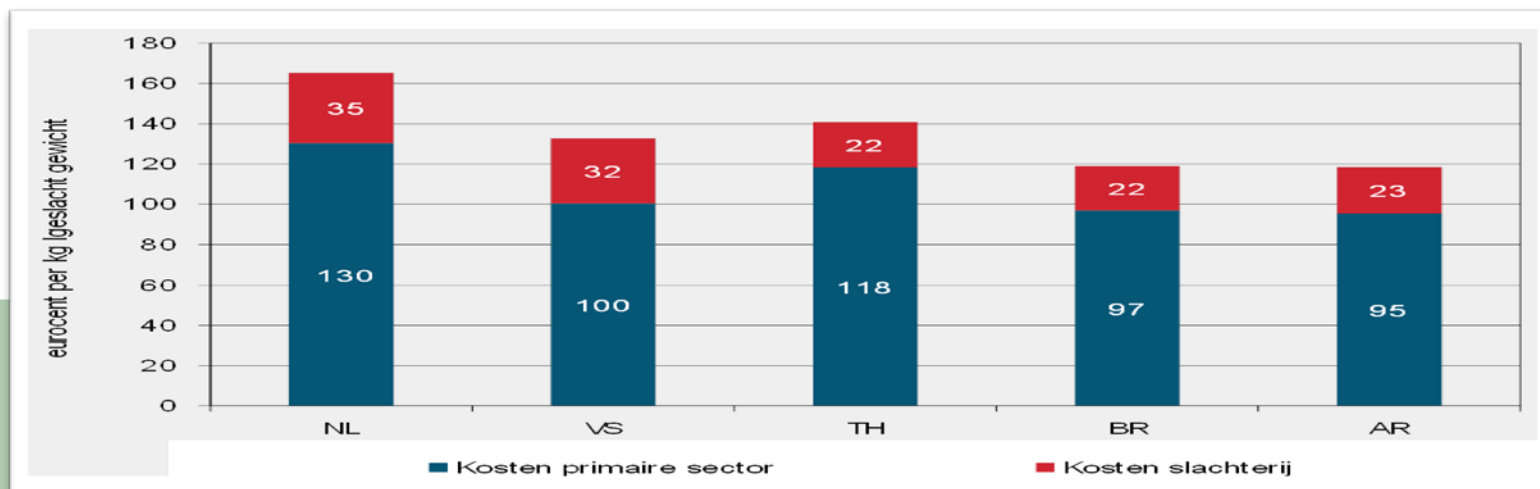


# ANALYSIS OF QUALITATIVE FACTORS

## Cost of primary production

	NL	US
Total costs (including labour) a)	91.2	70.3
Total costs (excluding labour) a)	86.8	67.6
Broiler costs	14.4	8.2
Feed costs	56.4	49.5
Other imputed costs	8.6	5.5
Labour costs	4.4	2.7
Housing costs	5.4	3.5
General costs	1.1	0.9
Manure disposal costs	0.9	0.0

## Cost price after slaughter



# ADDITIONAL COST OF REGULATIONS

Probably the highest meat production standards in the world

Strict food safety, animal health, animal welfare, environmental protection

**Societal choices lead to additional costs:**

- ban on antimicrobial growth promoters
- No environmental legislation on decreasing ammonia emissions

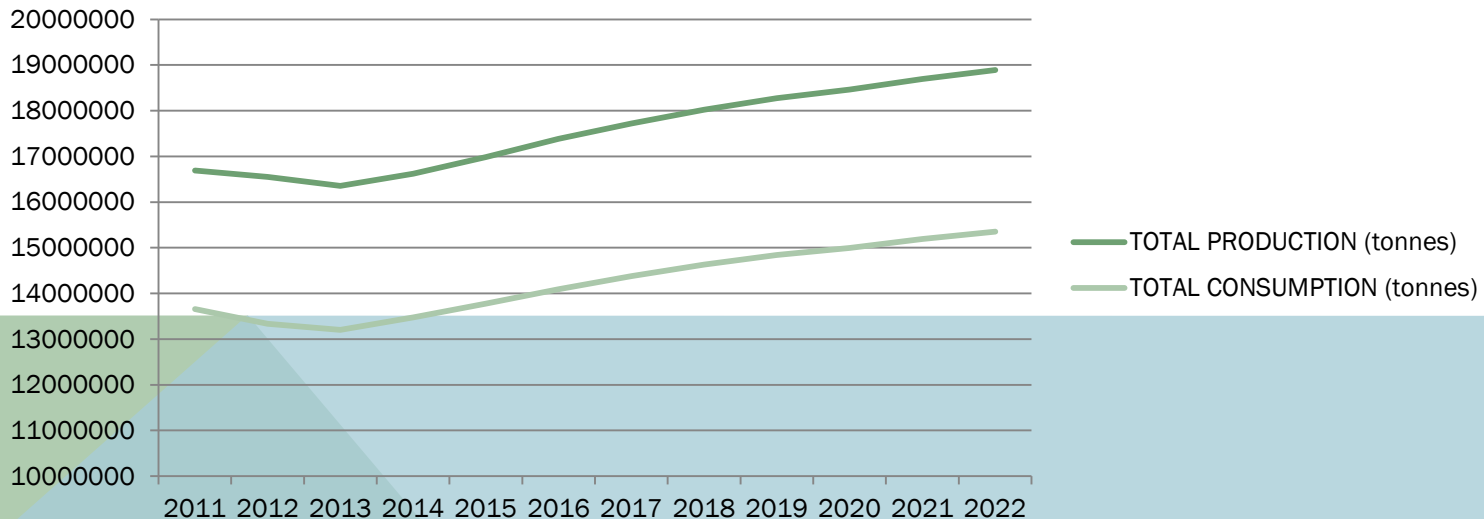
# ASSESSMENT OF THE EXPORT POTENTIAL OF US TO THE EU

US poultry meat production is expected to increase over the next decade due:

- Higher bird numbers
- predicted fall in feed costs and higher average weights at slaughter

## Increase of « per capita poultry meat consumption »

- Increase on demand is expected to strengthen broiler prices



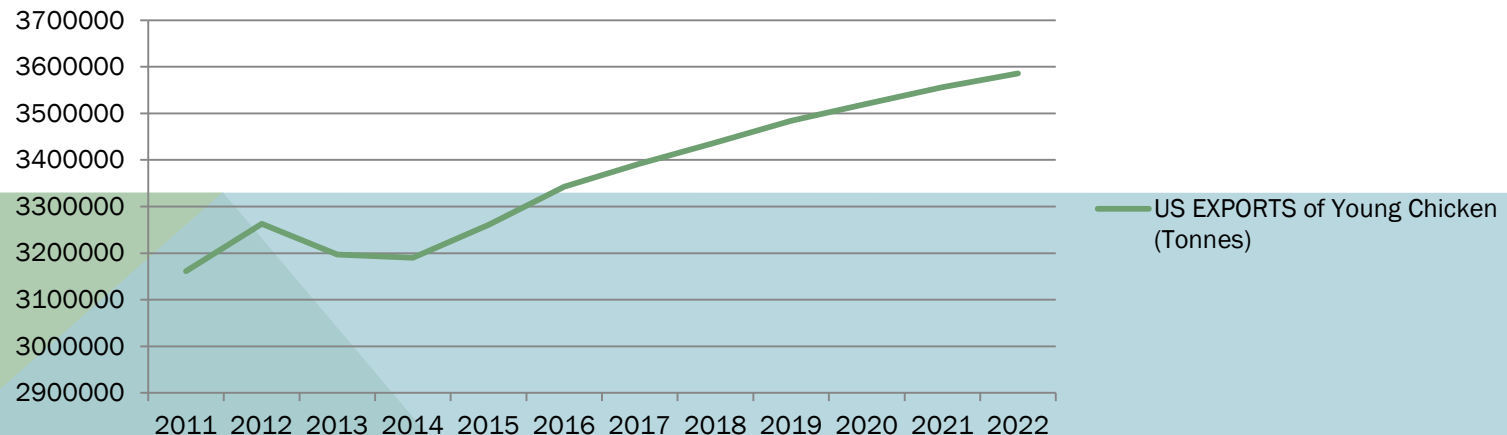
# EXPORT PROJECTIONS

*The projected rise in US meat exports over the next decade reflects steady global economic growth, a further depreciation of the US dollar, and the continued foreign demand for selected meat cuts and parts from the large US market.*

US exports are set to increase from 3.197 in 2013 to 3.586 million tonnes in 2022 = increase of roughly 389,000 tonnes:

- Represents 4,7 % of the EU market share
- Could represent 47,4 % of the total EU poultry meat imports
- US net export potential by 2022 (accumulated, considering entry in force by 2015) : 1,493,878 tonnes

## US EXPORTS of Young Chicken (Tonnes)



# CONCLUSIONS

- ✓ The US average poultry carcass price is very competitive due to access to new technology, less expensive feed, less primary cost of production and fewer requirements due to regulations (animal welfare, environment)
- ✓ The US export potential is estimated to reach 389,000 tonnes/year by 2022
- ✓ The most imported product to the EU is the fillet of chicken breast
- ✓ The opening of larger duty-free quotas and the removal of the current blocking factors (tariffs, chlorites, etc.) would have a serious effect on the EU poultry meat sector
- ✓ Prices would certainly fall, but productions costs would remain relatively high, leading many producers to abandon their activity in the sector



# PERSPECTIVES

## Reduction of internal Market

- FTA US – Size of quota?
- Thailand – negotiations are moving fast
- Mercosur – Will negotiations proceed?
- Serious economic crisis in Europe (change in the consumer habits)

## Production Cost

- Volatility on feed price
- Unbalanced bargaining power along the Food Chain

## Market opportunities

- Saudi Arabia, Benin, Hong Kong, Russia, Africa
- Poultry meat is an alternative to red meat

# IMPACT ASSESSMENT – EU PIG MEAT MARKET

Transport costs : 13.4 €/100 kg

The average exchange rate applied:

Average exchange rate 2011: Euros – USA Dollar = 1.392

Average exchange rate 2012: Euros – USA Dollar = 1.2848

(Source: European Central Bank)

Tariffs applied to the pig meat products in EU:

0203 11 10 Meat of swine, fresh, chilled or frozen:

Carcasses and half-carcasses 53,6 €/100 kg/net (1)

# EU PIG MEAT MARKET – PRELIMINARY IMPACT ASSESSMENT

Current situation:

The US is a major global producer and exporter of pig meat

Current situation – EU imports from the USA

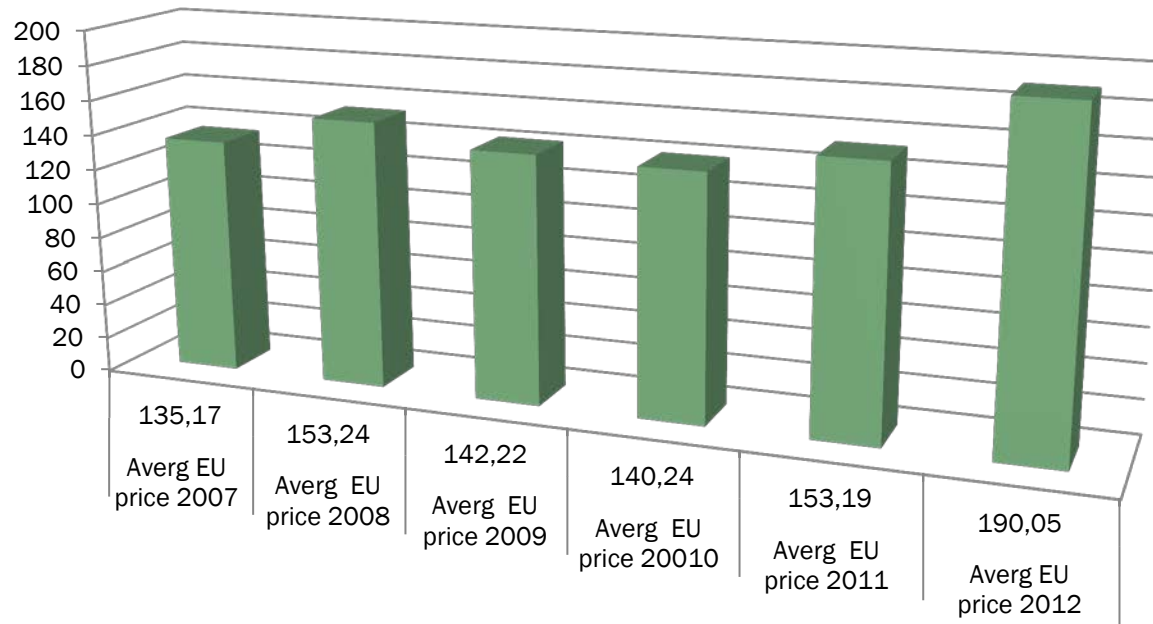
02 - Pigmeat	2006	2007	2008	2009	2010	2011
Quantity in 100 kg	241,896	88,931	215,252	65,136	55,865	13,329
Value (€)	43,162,831	23,080,510	52,360,383	15,756,424	14,760,504	4,108,265

Current situation – EU exports to the USA

02 - Pigmeat	2006	2007	2008	2009	2010	2011
Quantity in 100 kg	471,255	490,550	468,864	428,726	418,395	417,083
Value (€)	188,759,633	188,724,569	170,980,387	167,017,046	171,499,976	181,266,711

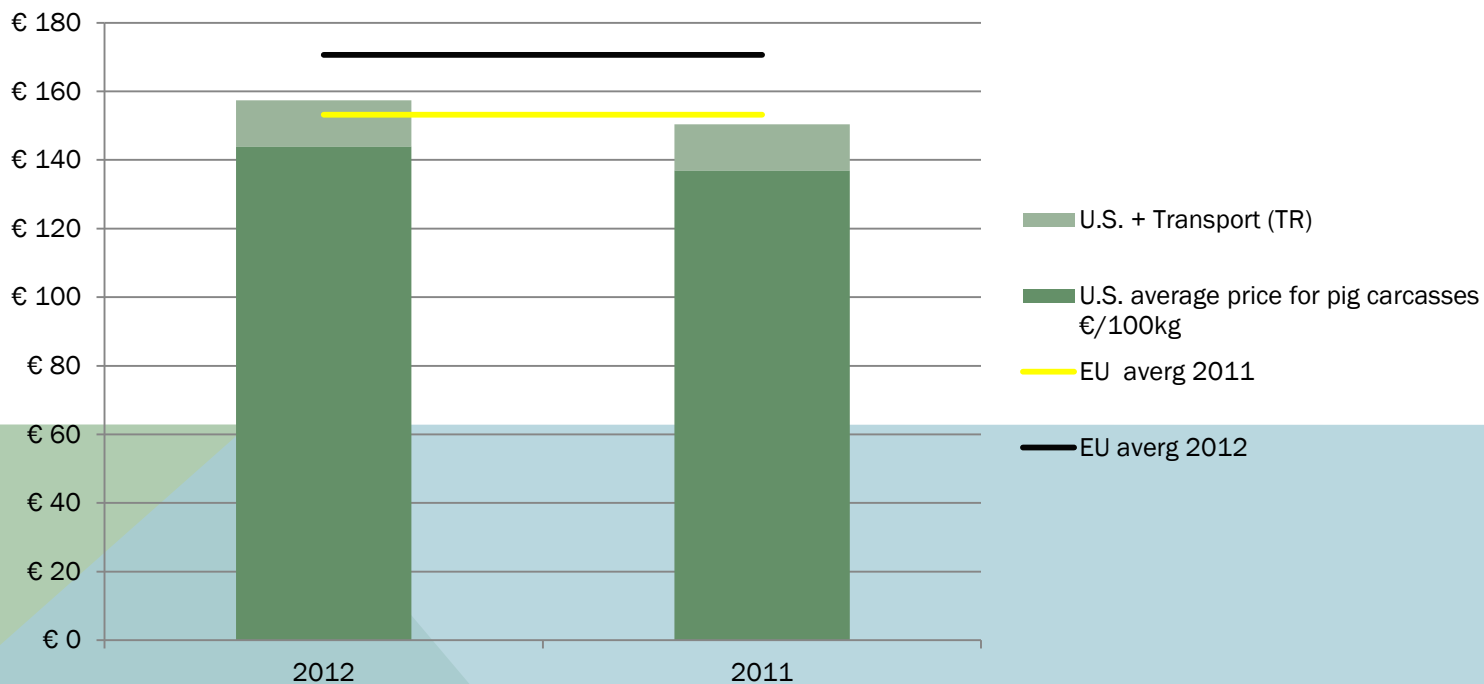
# PRICE OF EU PIG CARCASSES

Price of EU pig Carcasses (€)/100 kg

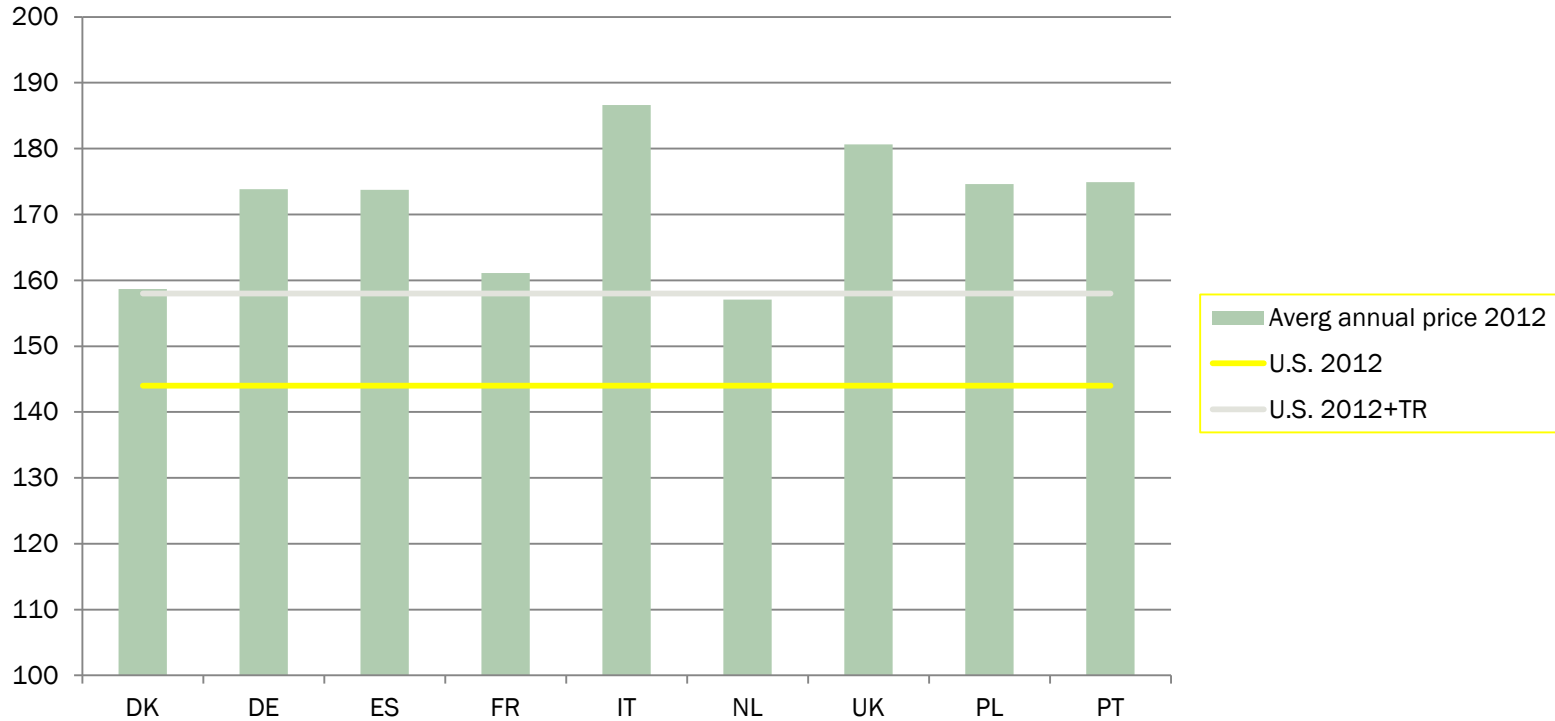


# US AVERAGE PRICE FOR PIG CARCASSES IN 2011 AND 2012

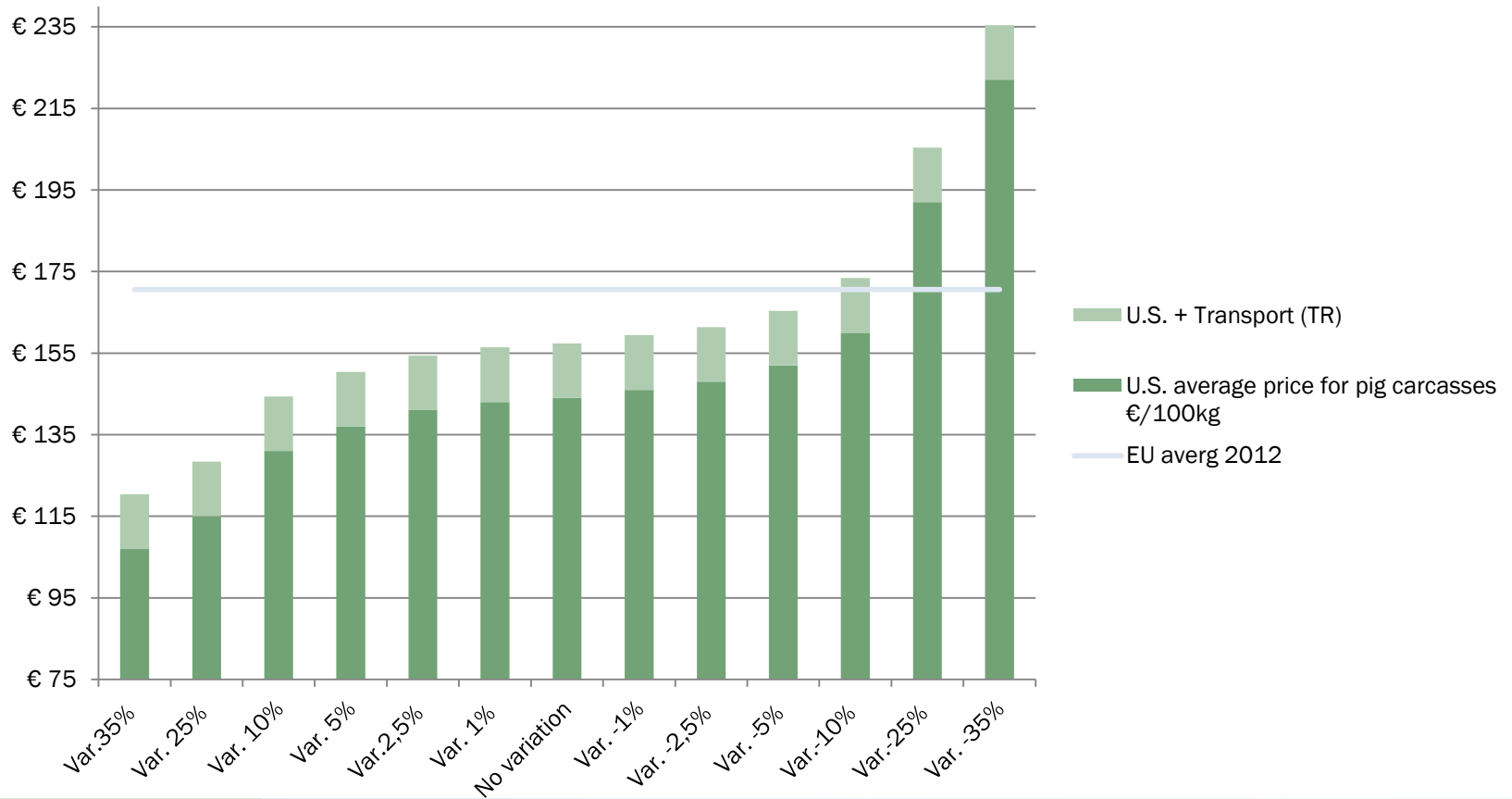
Year	U.S. average price for pig carcasses €/100kg	U.S. average price + Transport €/100kg	US Price + Normal Tariff	EU Price
2012	€ 144	€ 158	€ 211	€ 171
2011	€ 137	€ 150	€ 204	€ 153



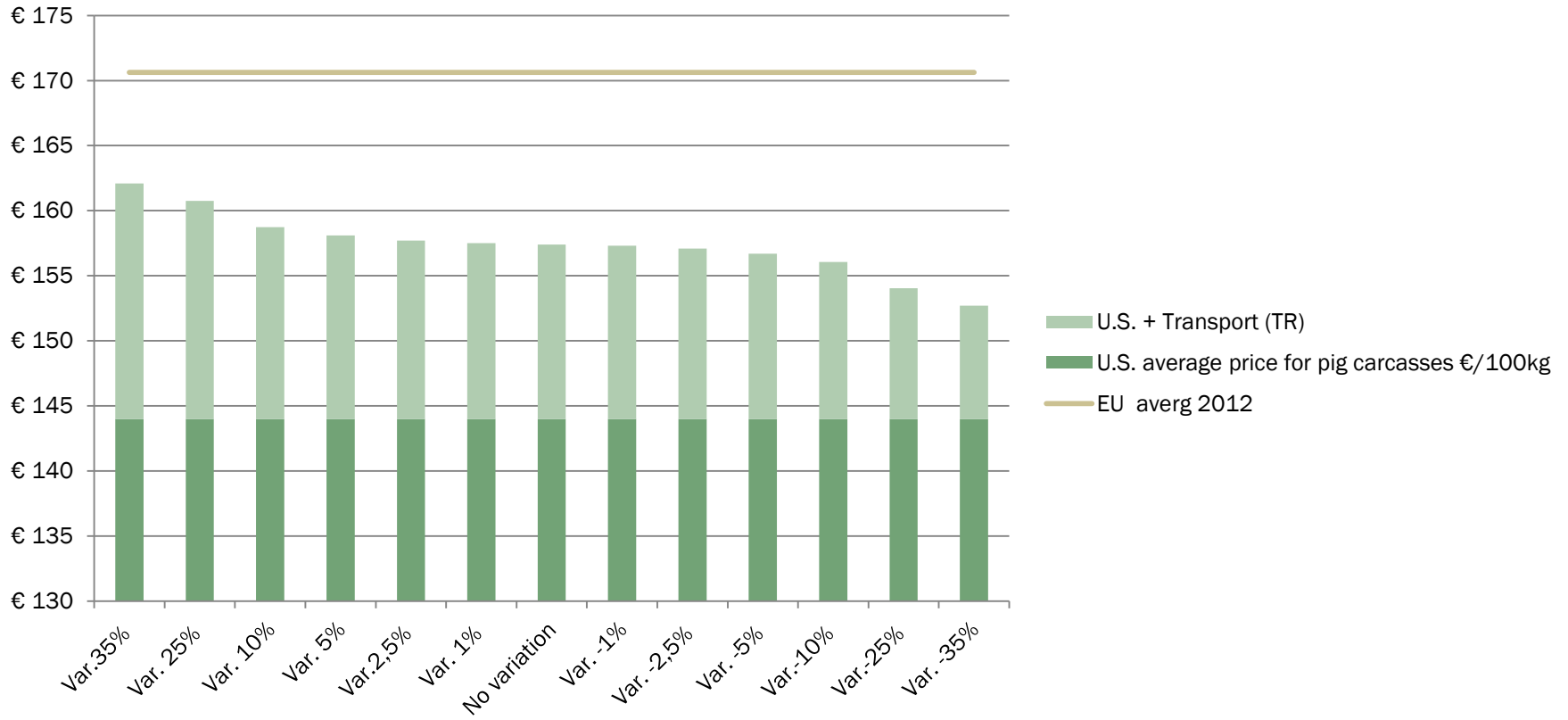
# US AVERAGE PRICE FOR PIG CARCASSES IN 2012 vs. MEMBER STATES



# EXCHANGE RATE VARIATIONS

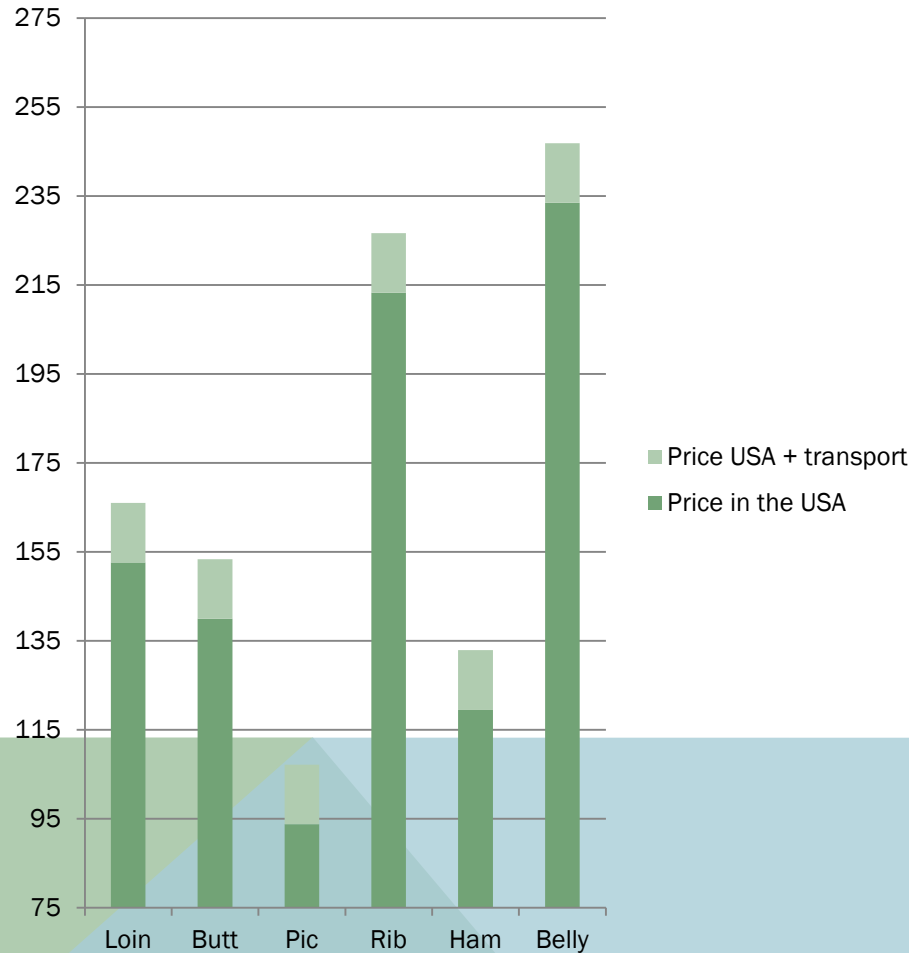


# TRANSPORT COST VARIATIONS





# US PRIMAL CUT OUT VALUES – JAN-FEB 2013



Cut	2011	2012	2013
<b>UK</b>			
Pork legs	219 €/100 kg	247 €/100 kg	250 €/100 kg
Legs short loin	211 €/100 kg	223 €/100 kg	210 €/100 kg
Short loins	not available	not available	290 €/100 kg
Neck ends (rind on)	222 €/100 kg	241 €/100 kg	235 €/100 kg
Bellies long	232 €/100 kg	254 €/100 kg	255 €/100 kg
<b>Spain</b>			
Cinta de lomo= loin	not available	not available	328 €/100 kg
<b>Italy Modena Market (Dec 2012)</b>			
Loin modena	not available	427.6 €/100 kg	not available
Ham (Coscia refilata per crudo da 10 a 12 kg)	not available	259.2 €/100 kg	not available
<b>Denmark</b>			
Ham (13 <sup>th</sup> Dec)	not available	171.83 €/100 kg	not available

# US PRIMAL CUT-OUT VALUES

No database that collects national wholesale prices for pork cuts

General comparison - The cuts do not necessarily match those used in the US and also vary between markets

Complementary nature of the US and EU pig markets (Valorisation of different cuts of meat)

It is unlikely that US ham would directly compete against Italian ham, as the latter is a more valuable product

US prices of specific pig cuts such as “ham”, “belly” and “loin” are in general very competitive compared to the EU market

Biggest threat to EU production

# ASSESSMENT OF THE EXPORT POTENTIAL OF US TO THE EU

US pig meat production is expected to increase over the next decade due:

- to higher net returns and improved forage supplies
- predicted fall in feed costs, an increase in productivity for the breeding herd and an increase in slaughter weight

Increase of “per capita pork consumption”

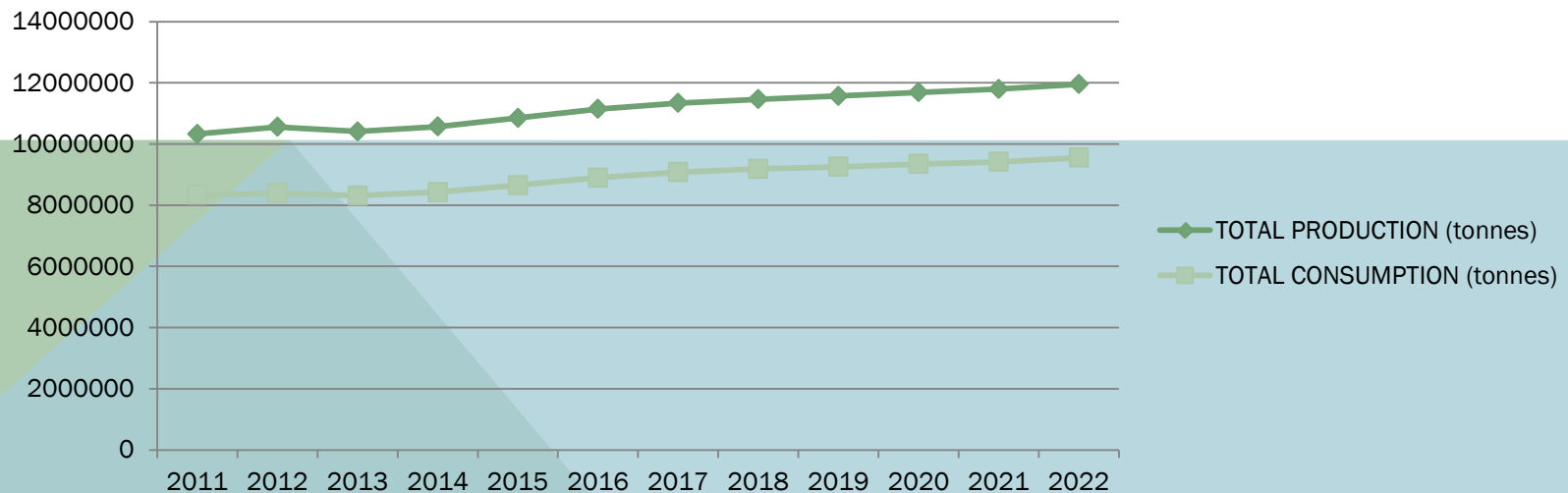
Annual average production increases

Difference between production and consumption:

In 2015 - 2.19 million tonnes

In 2022 - 2.402 million tonnes

A large percentage of this gap will probably be allocated to US exports



# IMPORT/EXPORT PROJECTIONS

*The projected rise in US meat exports over the next decade reflects steady global economic growth, a further depreciation of the US dollar, and the continued foreign demand for selected meat cuts and parts from the large US market.*

US exports are set to increase to 2.47 million tonnes in 2013

Increase of US pig meat exports to 2.828 million tonnes in 2022

In 2015, the US authorities expect the sector's exports to increase by 224,000 tonnes (comp. to 2011)

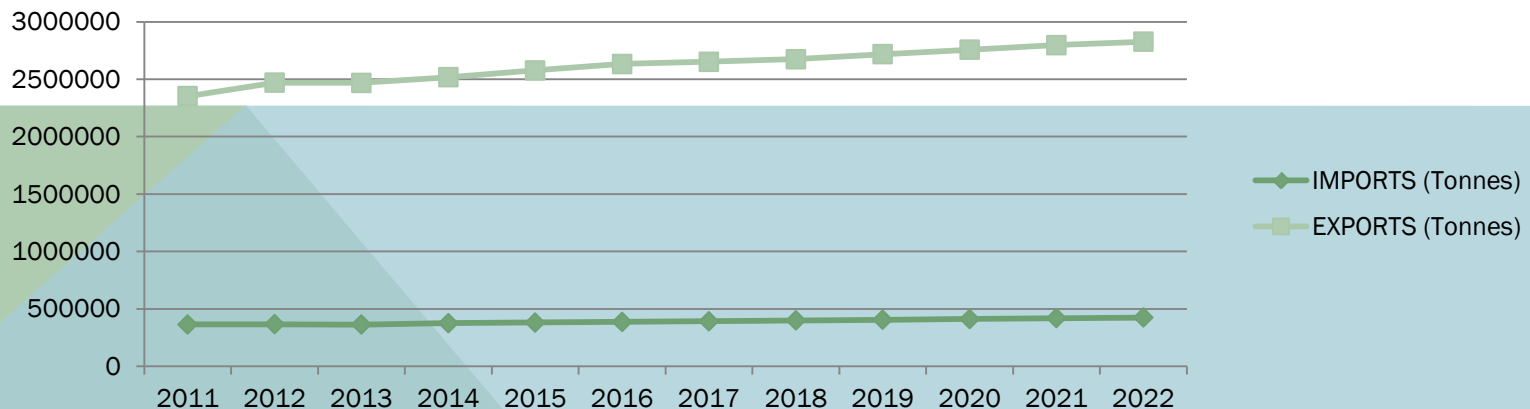
In 2022, the US authorities expect the sector's exports to increase by 475,000 tonnes (comp. to 2011)

US net export potential by 2022 (accumulated, considering entry in force by 2015) : 2,589,116 tonnes

Potential Canada request (according to the press) - (85,000 tonnes - 50,000 tonnes)

Potential USA request, at least 5 times more (+- 425,000 tonnes)

This quota is below US export potential, estimated to reach 475,000 tonnes in 2022 (year 2022-year 2011)



# CONCLUSIONS

- ✓ The US average pig carcass price is very competitive due to access to new technology, less expensive feed and fewer animal welfare requirements
- ✓ The US export potential is estimated to reach 475,000 tonnes/year by 2022. This figure is more or less what is expected to be requested by US negotiators during FTA negotiations
- ✓ The EU and USA value different cuts of the pig. It is very unlikely that the US will export large quantities of pig carcasses to the EU, but they will probably focus on particular cuts
- ✓ Moreover, in order to export to the EU, the US needs to set up an entirely independent production system, which must respect the EU's strict requirements for animal health and food and feed safety. At the moment, only 4 farms in the US are approved under the "Pork for the EU programme", which was set up in 1999

# PERSPECTIVES

## Reduction of internal Market

- FTA Canada and US – Size of quota?
- Mercosur
- Serious economic crisis in Europe
- Poultry meat is an alternative for red meat

## Production Cost

- Huge investments on Animal welfare
- Volatility on feed price
- Unbalanced bargaining power along the Food Chain

## Market opportunities

- Russia (several bans in place, becoming less attractive market)
- FTA Japan, ASEAN countries..... – **When, How much?**

## Competition

- TPP (USA, Canada, Japan etc.)

# KEY MESSAGES

EU consumer expects high level standards on animal health and welfare, food safety, food quality (ex. GMO, hormones)

European citizens expect farmers to implement increasingly expensive and higher production standards while imported products do not have to meet the same requirements. This inconsistency needs to be resolved

The management of tariff-rate quotas for sensitive products must be carried out using import certificates, overseen by DG AGRI, in order to ensure intelligent management of trade flows in order to limit the potential impact on European markets

Labelling of meat should be taken into account during the negotiations