

TTIP: Implications for European Farmers – Pig, Poultry and Dairy

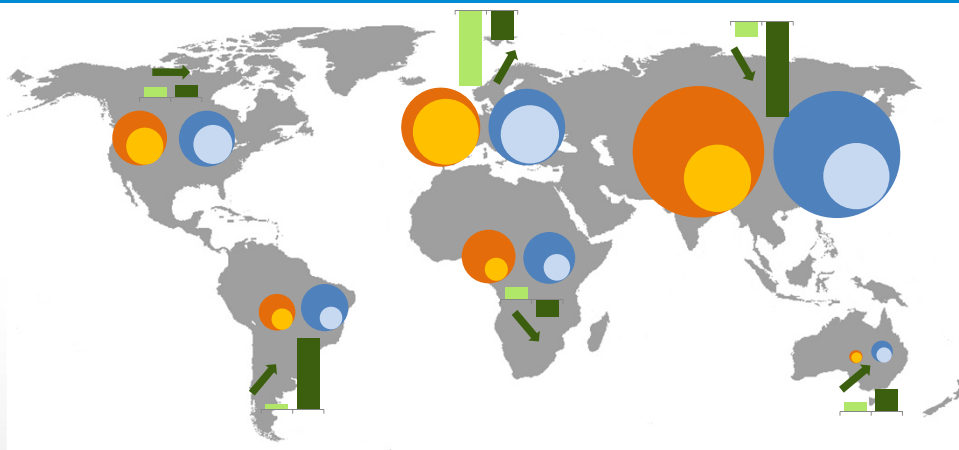
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Starting Point, Target, Content

- The TTIP-Agreement (Transatlantic Trade and Investment Partnership) is under fierce discussion.
- At the Thünen Institute, we are neither involved in the current negotiations, nor are we aware of the current state of negotiations.
- The final goal of this presentation is to provide a more general assessment of the impact of TTIP and to refer to some sticking points.
- Content:
 - Current situation (production, trade and trade policies)
 - Analysis of selected issues of TTIP
 - General evaluation of potential impact of TTIP

Development of Production, Consumption, Net-Trade (Agricultural commodities, 1961 - 2011)



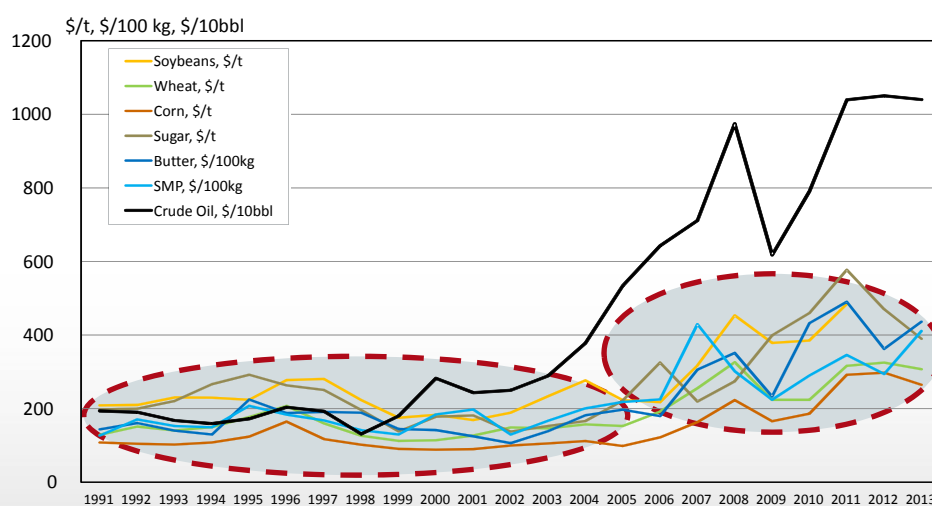
Values in US-\$ at constant prices (2004/06)
Source: FAO, own compilations.

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Development of World Market Prices Agricultural commodities and crude oil, 1991-2013



Source: World Bank.

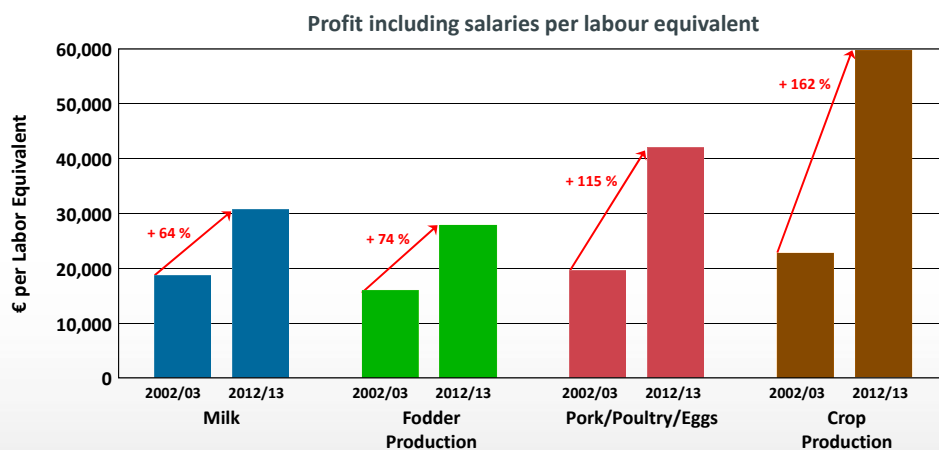
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Farm Income in Germany

Full-time farms, 2002/03 and 2012/13



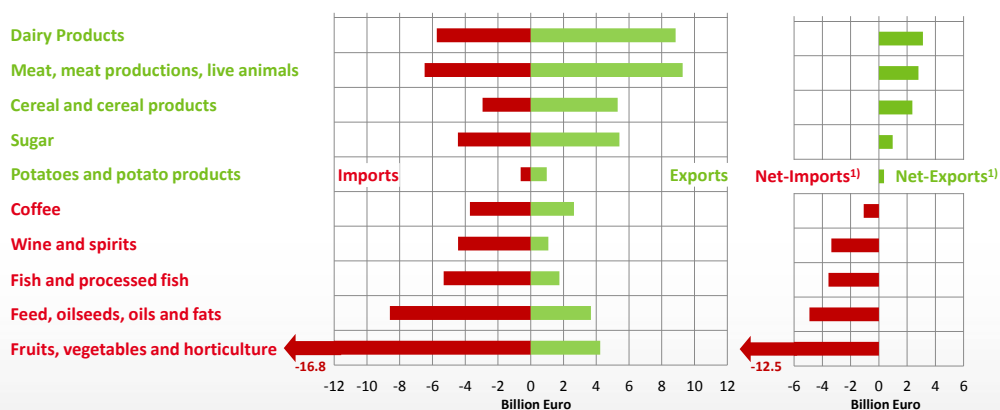
Source: German Federal Ministry on Agriculture, FADN Data.

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Foreign Trade of German Food Products, 2011/12



¹⁾ Sum of exports and imports.
Source: German Federal Ministry of Agriculture, own compilations.

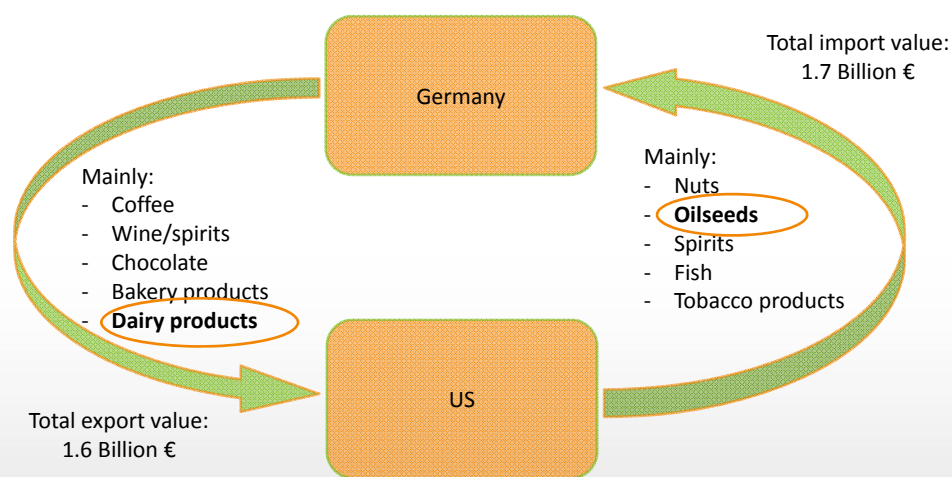
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Trade between Germany and the US

Primary agriculture and processed food, 2013



Source: German Federal Ministry on Agriculture, ITC.

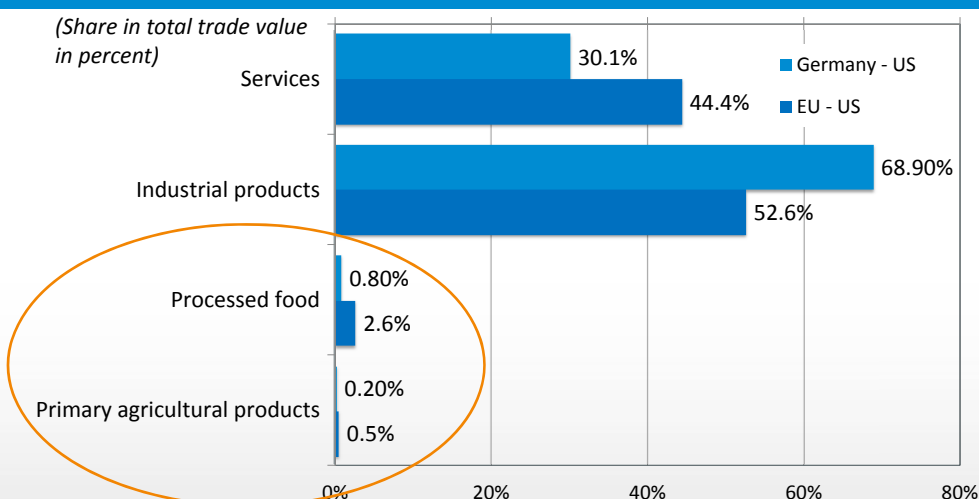
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Structure of Exports from Germany / EU to the US

(Estimated values for 2021)



Source: Thünen-Baseline

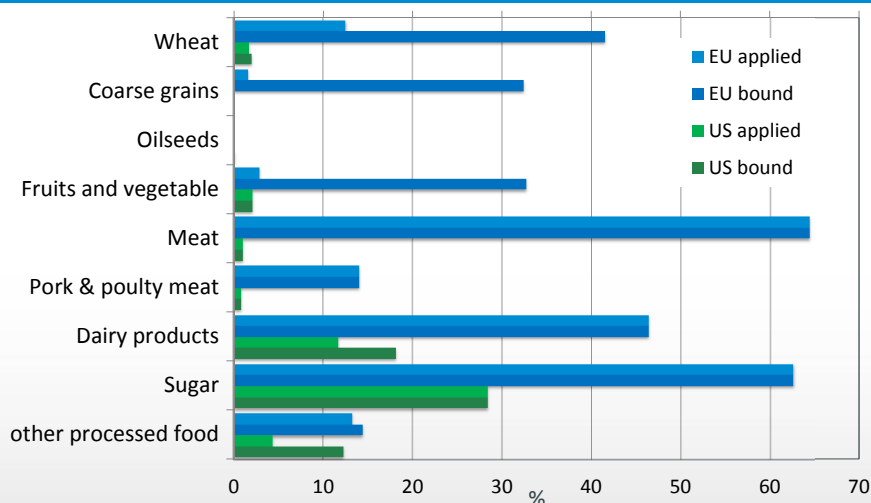
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Applied and Bound Tariffs, EU and US

(Tariffs, trade-weighted in percent, 2011)



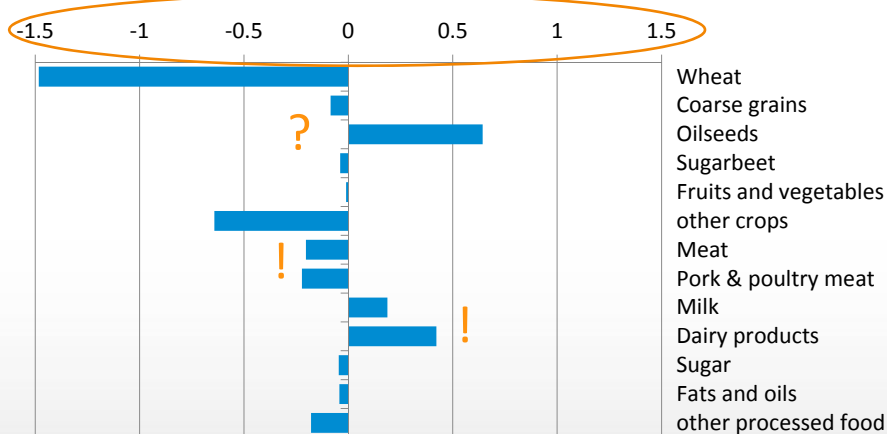
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Change in EU Production under TTIP

(2021 relative to reference scenario with current tariffs, in percent)



Source: MAGNET-Model see Pelikan / Banse, 2014

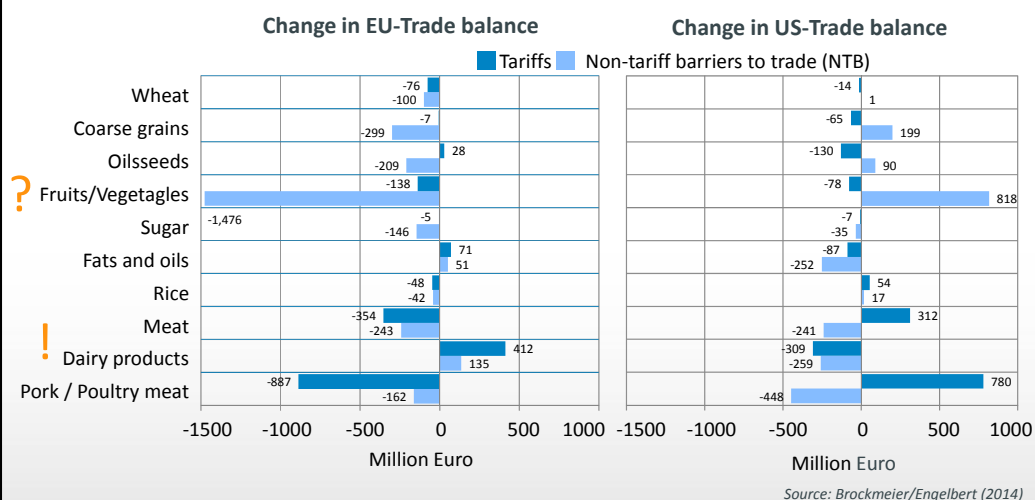
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Change in Trade Balance under TTIP

(Based on GTAP calculations)



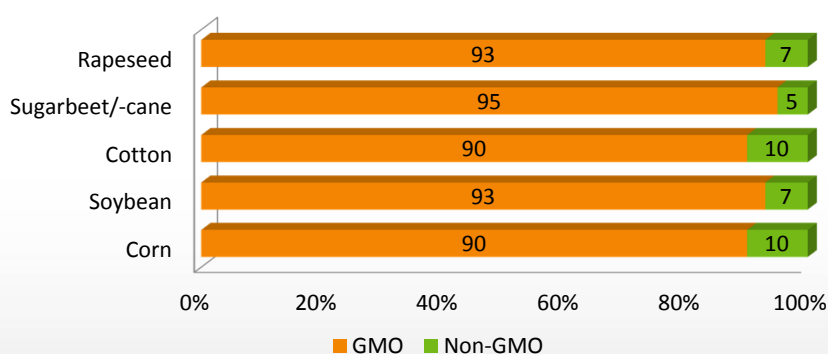
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... further impact (esp. on trade) possible depending on the future of GMO-debate in Europe

Share of GMO and Non-GMO in the US



Source: own compilation based on USDA data

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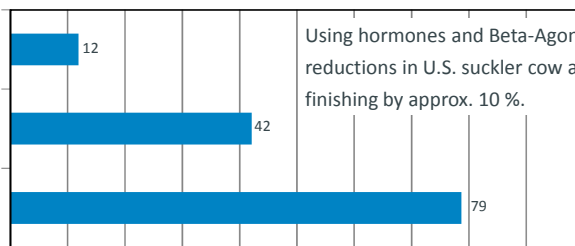
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Use of Hormones and Beta-Agonists, US-Suckler Cows and US-Beef Finishing

Hormones

Suckler cows

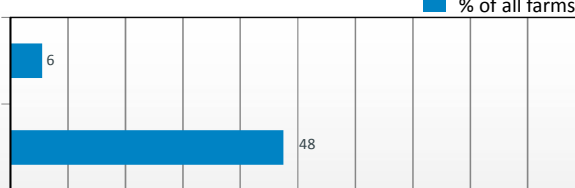


Using hormones and Beta-Agonists creates cost reductions in U.S. suckler cow and beef finishing by approx. 10 %.

Beta-Agonists

Beef finishing

Feedlots < 1000 capacity



0 10 20 30 40 50 60 70 80 90 100 [%]

Data on suckler cows for 2008, on beef fattening for 2011

Source: Deblitz/Pelikan (2014) derived from USDA (2014)

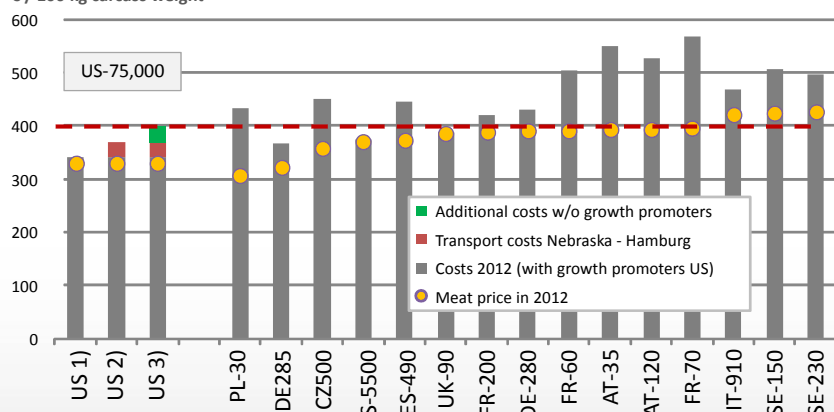
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Change in Competitiveness of US-Feedlots (75k) without Growth Promoters

€ / 100 kg carcass weight



US 1) Full costs in 2012 (incl. growth promoters)
US 2) = 1) + transport costs Nebraska - Hamburg
US 3) = 2) + additional costs w/o growth promoters

Source: Deblitz/Pelikan (2014)

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Investor-state Dispute Settlement (ISDS)?

The scientific assessment of this part of TTIP is primarily the task of legal and political scientists.

From an economic point of view I would like to complement the following statements:

- **Benefits:** More secure investments with a faster achievement of the objectives of TTIP, e.g. international division of labor and economic growth
 - **Costs:** Additional costs for countries for future policy reform
 - The **amount** of these benefits and costs can not be quantified seriously.
 - **Time horizon:** Benefits are more likely in the near future, while costs are more likely in the more distant future
- Is this recommendable in light of sustainability?

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Summary and Conclusions

- Germany is heavily involved in international agricultural trade and held up well in the wake of liberalization.
- If world agricultural economy continues to grow strongly, German agriculture will maintain its overall competitiveness. However, with a question mark for livestock.
- In transatlantic trade, agricultural and food products play a very minor role in comparison to other commodities.
- Reduction of tariffs within the FTA results in only a small production relocation. Especially beef would be affected, if the NTMs (standards) would be abolished under TTIP.
- The question of how EU food companies respond in terms of sensitive issues (e.g. GMO) seems to be more important than changes in tariff protection.
- From an economic point of view: The introduction of Investor Dispute Settlement has short-term benefits and long-term disadvantages.

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