

BILAT(17)3914

# **Impact of a free trade agreement between the EU and MERCOSUR**

## *The case of poultrymeat*

[Redacted text]

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# EU – Mercosur trade

- Mercosur exports around 500 000t (CWE) of poultrymeat to the EU which represents 60% of our total imports;
- Within Mercosur, Brazil is the main exporter of poultrymeat to the EU (96% of Mercosur's exports to EU) with only 4 operators (oligopoly situation);
- Liberalising trade in the poultry sector would have an impact on fresh products which make up 30% of Brazil's net exportable value.

# SPS concerns

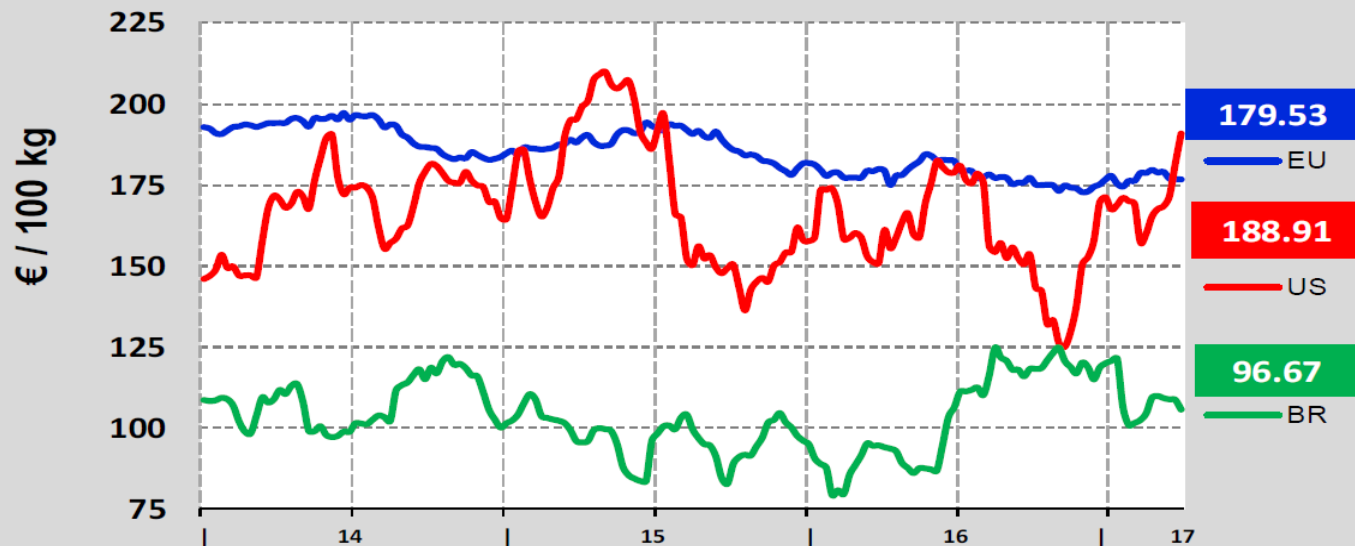
**Since 2013 issues about:**

- **Late reaction from brazilian authoritioes after RASFF notification;**
- **Ante and post mortem inspection not conform to teh EU regulation;**
- **Animal welfare conditions not respected (no mandatory stunning methods);**
- **The use of PAPs in feed without the concerns of intra-cannibalism (food safety concerns);**

# The price gap remain high



## EU, USA & BRAZIL BROILER PRICES

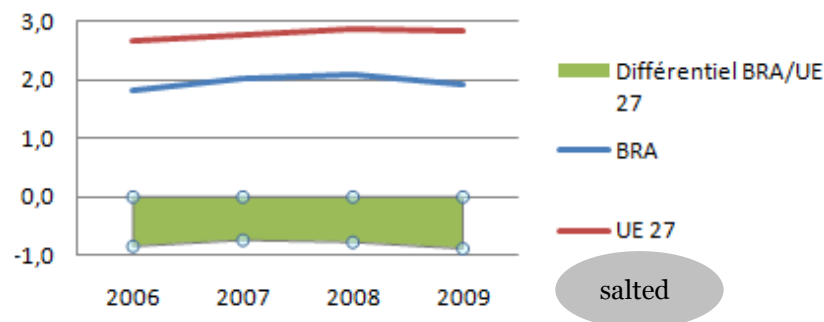


Sources : EU = weighted average of MS prices Broiler 65%  
US = weekly USDA prices Fresh chicken grade A ,Chicago  
BR = average of prices in main producing states (Aveeworld.com.br)

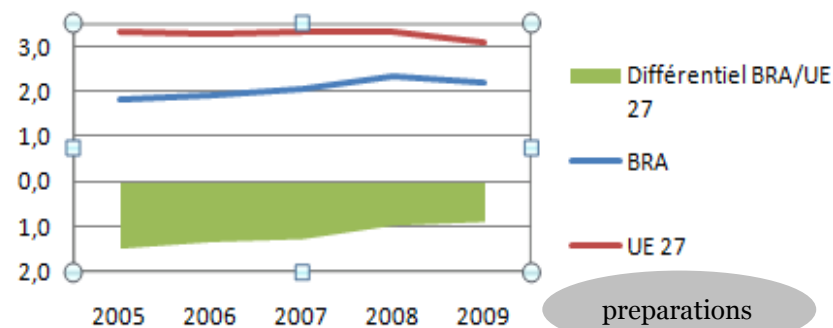
# Price differences between the EU and Mercosur poultrymeat products

- Price differentials for European prices on the most sensitive tariff lines:
  - Slightly negative for frozen products (€0.50/kg)
  - Negative for products in brine (around €1/kg)
  - Very negative for poultrymeat preparations and fresh poultrymeat (between €1-2/kg)
- The green area shows the price differentials for European prices: very negative for poultrymeat preparations and fresh poultrymeat.

**Price differential for European imports of poultrymeat €/kg – TL 02109939**



**Price differential for European imports of poultrymeat €/kg – TL 1602**



# The costs of EU - Mercosur agreement

- Brazil's export potential for the period 2019-2020 is set to be 6.1 million tonnes (76% more than its current level).
- In the case of full liberalisation, the direct costs due to substitution effect would be €2.8 billion. The indirect costs due to the consequent fall in the internal price would be till €3.1 billion.
- The last EU offer represent a direct cost of €250 million in direct costs (substitution) and € 500 million in indirect costs (impact on domestic price).
- The calculation don't take into account the possibility of over TRQ volume. Therefore no "o" tariff duty should be granted;
- We don't know yet the potential market impact of the WTO panel on EU and China for poultry meat.



Thank you for your attention!

*Copa-Cogeca in cooperation with APCA*