



CETA and Transatlantic Trade and Investment Partnership (TTIP) -

What are the consequences for the French beef sector?

Foreword – the French livestock and meat sector in figures ...

- **No. 1 beef producer in Europe** (19.1 million head of cattle).
- **Almost 500,000 direct and indirect jobs.**
- **A trade balance surplus of 0.7 billion euros in 2013.**

French beef producers are following the current TTIP negotiations very carefully and are prey to a number of concerns in its regard. At a time when a quota of 50,000 tonnes, duty free, has been granted to Canadian beef in the context of the CETA (which increases to 67,500 tonnes the total duty-free quota soon to be opened up to Canadian exporters), it is likely that much larger quantities will be demanded by the USA – Americans in fact produce 10 times more and export 25 times more beef to the European Union than Canada.

Beef thus represents a particularly offensive interest for the USA in the context of the TTIP and, in view of the risks to the European market, a very defensive interest for the EU, which is why the European Commission has chosen to classify beef in the category of “sensitive products”. A classification that offers 3 possibilities: progressive liberalisation of the market, a quota system or the total exclusion of beef from the scope of the negotiations.

Note:

As was the case for the CETA, negotiations are expected a priori to favour a quota system.

In view of the levels of production of US beef and the different interests at stake, the demonstration outlined below is based on a duty-free quota offered to US beef in the context of the TTIP, estimated at between 100,000 and 150,000 tonnes; i.e. a total quota (TTIP + CETA) of approximately 200,000 tonnes.

I – Estimate of the impact of the CETA and the TTIP on the sector -

200,000 tonnes of duty-free Canadian and US beef imported = a 40% to 50% drop in revenue for French and European cattle farmers.

I-1 - A European market segment specifically targeted by the US – the sirloin market¹.

Beef consumption is different in Europe and in the USA – whereas demand for minced meat is very high in North America, high-quality cuts (sirloin) are not widely promoted. European imports, on the other hand, focus mainly on precisely such cuts – **this is why the USA is a very large net exporter of sirloin beef to Europe.**

The quotas opened to Canadian and US meat (approximately 200,000 tonnes in total) in the context of the CETA and the TTIP ought therefore to consist of 75% sirloin beef.

However, the European market for sirloin beef from suckling livestock is estimated at only 400,000 tonnes approximately (Source: GEB-Institut de l'élevage).

I-2 – European sirloin beef VS American sirloin beef – a competitive gulf!

Family-owned farms VS industrial “feedlots” of several tens of thousands of head of cattle. Animals that are grass-fed and have a long “life cycle” VS very intensive fattening using growth stimulants, ... **the contrast between European and American livestock breeding models – increased by a level of regulations and production constraints that bear no resemblance to each other with regard to animal feed and welfare, and environmental protection, ... - offers a major competitive advantage to US beef.**

The price of a kg of sirloin (kg of carcass at the wholesale stage) sold in Europe, varies from €8.60 to €13.70 depending on whether the meat was produced in the USA or in Europe.

Note – this American price (€8.60) includes all additional costs linked to the requirements specific to exports to the EU (hormone-free traceability, ...) as well as the cost of transport and the wholesale margin.

By way of comparison, on the US market, this same sirloin (carcasses classified as “Choice” represent most of the volumes currently exported to the EU) is sold €3.24 / kg of carcass (source : USDA).

I-3: In view of the volumes involved – an American price that will become the reference price on the European market ... leading to the disappearance of French suckling livestock.

¹ Choice parts of the hindquarters of the carcass

Currently, the price of imported meat is not the reference price on the European sirloin market – the different tariff and non-tariff protection measures implemented in the context of current imports (Hilton quota – reduced size and 20% customs duties); GATT quota – frozen meat only and 20% customs duties); Hormones Panel quota) limit the volumes of fresh meat imports that can be substituted for European sirloin and allow Community producers to maintain a certain “control” over their market.

However, the opening of the European market for sirloin obtained from suckling livestock, estimated at 400,000 tonnes, to quantities of Canadian and US fresh meat estimated between 150,000 and 200,000 tonnes, without applying customs duties, will reverse the trend and considerably disrupt the prices practised on this market.

The price of a kg of European sirloin would fall, according to our estimates, to €9.40 (note – this price includes an increase of 10% related to the European origin, as currently practised).

If we consider that this reduction will be passed on to every aspect of the industry uniformly, the price for young cattle paid to the producer would drop by 9.60%... i.e. a decrease of 40% to 50% of the operating income from livestock operations (operating income before tax, minus MSA charges).

In France, in view of the economic fragility of the downstream undertakings and companies in the beef industry, such an impact on revenue will lead to the disappearance of this sector as a whole - a disappearance that will have disastrous consequences on the economic, territorial (desertification of rural territories), and environmental levels (lands laid fallow, or massive ploughing up of grasslands) and for the food security of Europe.

Note:

- *This estimate was made in accordance with typical cases of livestock networks.*
- *It is based exclusively on the breeder/fattener animal production systems specialised in beef production.*
- *The greater the beef quota granted to the USA, the more the US price will become the reference price on the European market.*

II – The demands of French beef producers in the context of the ratification of the CETA and the TTIP negotiations.

II-1 – The main demand – to exclude beef from the scope of the TTIP negotiations.

In view of the level of the current crisis being felt by beef producers in the EU (lowest level of agricultural revenue, low level of competitiveness, multiple farm closures, the difficulty of renewing generations ...), any additional duty-free opening up of the European sirloin market (the most profitable for farmers) to US beef, will lead to the closure of several hundred undertakings and companies in Europe.

In addition, such US meat imports would be in total contradiction with the objectives set out in the new Common Agricultural Policy - namely, the maintenance of grazing livestock in Europe, and the greening of livestock systems, ... Indeed, the US “feedlot” farming model² is diametrically opposed to collective European preferences regarding animal feed, animal welfare, environmental protection,

Such an opposition between the priorities of the CAP and the current TTIP negotiations is unacceptable and results in only two possible solutions:-

- **A radical transformation of the European breeding model**, such as to intensify it as much as possible (removal of current production constraints) and enable it to combat US feedlots “on a level playing field” ... **something that neither the producers nor the consumers want;**
- **Or an exclusion of beef from the TTIP negotiations - the only measure capable of protecting the European beef industry and preserving our breeding model.**

II-2 – Secondary demands, in the event of a quota system:-

- **Minimisation of the size of the quotas and a specific protection of the sirloin beef market.**

Lines relating to “quota specifications” must be introduced into the agreement, specifying in particular:

- The type of animal eligible – only steers and heifers should be eligible for TTIP quotas.
 - **And, above all, the type of cuts eligible – a prohibition or a specific limitation on filling quotas with cuts of sirloin must be provided for.³**
- **A refusal to recognise US production standards.**

Recognising US production standards, means rejecting the level of regulation imposed on European producers and disavowing the Common Agricultural Policy. This is why any negotiation of US beef quotas must introduce certain “red lines”.

² Industrial fattening plant containing on average 30,000 animals.

³ Such a specification was, for example, introduced in the context of the Hilton quota opened to Paraguay.

Quota specifications must for example be defined with regard to animal feed⁴ - meat from animals fattened with antibiotics or animal meal should not be eligible for TTIP quotas.

- **The effective implementation of strict sanitary controls relating to imported meat.**

Given that using antibiotics as “promoter of feeding efficiency”, for example, is banned in Europe but routine in the USA, systematic controls must without fail be carried out by European authorities on US meat, so as to prohibit any entry into the European market of meat that contains residues of antibiotics.

Such controls are in fact implemented at the community level on European meat, but are entrusted to the third-party country in so far as concerns imports – this system guarantees neither satisfactory visibility, nor a satisfactory level of traceability.

- **Before the ratification of the CETA – removal of the exception granted to Canada in matters of rules of origin.**

Total alignment with regulations relating to rules of origin must be adhered to in the context of the CETA – **the only meat eligible to the access of 67,500 tonnes with no customs duties must be that from animals born, reared and slaughtered in Canada.**

French beef producers **strongly denounce the exception to this rule incorporated into the agreement**, which could, when the TTIP is concluded, allow US meat or meat from animals born and reared in the USA to benefit from the opening of this Canadian quota.

⁴ There are specifications relating to the ration of animals in the context of the Hilton quotas and the Hormones Panel quota.