Press Release

December 17th, 2013

Is US beef under a Free Trade Agreement a threat to EU beef production?

A new study analyses likely competitiveness and perspectives of production and trade in terms of a possible tariff liberalisation between the EU and the US

The US and Canada are major beef producers and exporters and have an interest to export beef meat to the EU due to the higher beef price. But the existing import tariff of approximately 60 % as well as sanitary trade restrictions mean limitations of beef imports from both North American countries to the EU. If the negotiations about the free trade agreement between the US and the EU can be finalised by the end of 2014, these barriers could be at least partially removed.

The study fabricated by Claus Deblitz (Thünen Institute of Farm Economics) and Kevin Dhuyvetter (Kansas State University) analyses the status quo, drivers and development as well as the potential of beef production and trade. The researchers use the data from *agri benchmark*, a global network which comprises 30 countries worldwide with internationally standardised methods to analyse farms, production systems and their profitability. The focus of the study is on farm level.

Live cattle exports highly unlikely

The study shows that low or non-existent weaner price differentials do not constitute an incentive for North American producers to sell weaners to the EU. Exports of individual breeding cattle from beef breeds are exceptions. “Even in the case of a free trade agreement it is highly unlikely that weaners and backgrounders will ever be shipped from North America to Europe in significant quantities and for non-breeding purposes due to animal welfare issues and expectable public pressure”, says Claus Deblitz, coordinator of the *agri benchmark* Beef and Sheep Network. Thus, no direct effects on the rearing (cow-calf) sector in European countries are expected. But how will the agreement change the situation in the finishing sector?

Thünen Institute
Federal Research Institute for Rural Areas, Forestry and Fisheries
Bundesallee 50
38116 Braunschweig, Germany
www.ti.bund.de

Public relations officer:
Dr. Michael Welling
Tel.: +49 (0) 531-596 1016
Fax: +49 (0) 531-596 1099
pressestelle@ti.bund.de

Beef finishing on farm costs and prices

The present situation in the beef finishing systems illustrates that there are substantial price and costs differences between US and Canadian farms and EU farms. However, the differences narrowed from 2011 to 2012 due to a large number of conditions, among them the development of exchange rates, livestock and feed costs. Reflecting transport costs as well as the costs for not applying growth hormones and beta-agonists, which are forbidden in the EU, would take the US-costs to a level which is slightly higher than the prices received by most typical EU farms in 2012. But the North American beef has not to compete against these prices due to higher quality. At the same time, US-prices remain below EU-beef prices. Thus, US beef producers could improve profitability / reduce present losses with exporting beef to the EU. Consequently there remains an incentive for US beef producers to export beef to the EU without the existence of a tariff. “If the EU starts importing more beef from the US, it will be high quality (marbled) grain beef at competitive prices from cattle which are fed with grain in the last fattening period, which already arrives to a limited extent under specific quota arrangements”, explains Kevin Dhuyvetter. Therefore the authors expect that the increase in volume of American beef exports are limited especially since markets in Asia, North Africa and Middle East have a comparable or higher price level than the European market.

The full study can be downloaded here: www.agribenchmark.org/beef-and-sheep/publications-and-projects/working-paper-series.html

Contact:
Thünen Institute of Farm Economics, Braunschweig, Germany
Barbara Wildegger
Tel.: +49 (0) 531 596-5108, E-Mail: barbara.wildegger@ti.bund.de
http://www.ti.bund.de/en/startseite/institutes/farm-economics.html

Pictures in printable quality can be received by Barbara Wildegger:
barbara.wildegger@ti.bund.de