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GAIN Report

Global Agricultural Information Network

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German Govt on potential impacts of TTIP on agriculture

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Agricultural Situation

Agriculture in the News

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Report Highlights:

The German government has highlighted that TTIP will not undermine food safety standards and that American exporters have to meet European regulations. The position of the German Government was published as a response to a parliamentary enquiry on potential impacts of TTIP on food and agriculture in Germany and the European Union.

General Information:

The German government received a parliamentary enquiry by the Green party on potential impacts of the Transatlantic Trade and Investment Partnership (TTIP) on food and agriculture in Germany and the European Union. The opposition party of the Greens posed 25 questions to the governing coalition in the German government. In general, German proponents of the deal anticipate that removing tariffs and non-tariff trade barriers will enrich both economic powers in equal measure, and open the American market to European specialty products such as cheeses, meats, and wine. Opponents fear that TTIP may flood the market with cheap imported goods from America, thereby harming the agricultural economy and pressuring European farmers to cut costs at the expense of social and environmental welfare. The Government countered these claims, focusing on the benefits of liberalized trade while emphasizing the continued sovereignty of European consumer and environmental legislation.

Most of the Opposition's questions pertained to differences in the regulatory environment and production costs in the US, relative to the EU. Many Germans are under the impression that American farmers enjoy significant cost savings in producing agricultural goods due to more permissive regulations on the use of herbicides, animal hormones, and agricultural biotechnology. Overall, the federal government expects limited negative effects on parts of the German agriculture through TTIP.

Using beef production as an example, the Coalition attempted to demonstrate that production costs in the EU and the US are in most cases quite similar. For both German and American cattle, the inputs required to yield 100 kg of butchered product are approximately €400 (\$446). But, it is expected that the cost of smaller farms in Germany are higher than at huge U.S. fattening farms with up to 75,000 animals. The federal government declared that it is aware of the competitive disadvantages in the field of meat production, and therefore it is committed to ensuring that these disadvantages are adequately taken into account in the negotiations on tariff elimination.

Similar conclusions were reached regarding grain production. Here, the German Government expects additional corn and wheat imports from the United States in the EU. For these commodities, the US has a slight advantage to the EU, which could be overshadowed by foreign exchange effects. In addition, the U.S. would compete with other competitive exporting nations such as Russia, Ukraine and Argentina. For all these calculations the German Government refers to a study conducted by the Johann Heinrich von Thünen Institute with a scenario which has fully dismantled tariffs as a basis.

A crucial theme in the Government's responses was to reiterate that TTIP will not undermine the high standards placed on foods imported into the EU. While allowing that regulatory differences do indeed exist between the two economic zones, American exporters will always be required to meet the safety and environmental specifications of the buyer, whether concerning hormone use, pesticide residues, or labeling of GMOs. Combined with the added cost of shipping products across the Atlantic, the costs of bringing finished products to market appear comparable, and are not expected to price European producers out of the market.

Another line of opposition questioning expressed concern that American agricultural goods might consume an ever-larger fraction of the Eurozone economy, especially affecting small and mid-sized businesses. In the years since TTIP has been negotiated, several academic studies have attempted to

estimate the effects on the overall economy, as well as specific sectors. The Government cited several economic analyses indicating that the negative effect on the Eurozone agricultural sector will be small, and more than offset by the stimulating effects of removing trade barriers in other sectors of the economy.

Background Information

A Parliamentary Enquiry, or "Kleine Anfrage", is a question posed by a party in Parliament that must be answered by the German federal government. It is one oversight tool used by Parliament to better understand or to highlight particular government policies. This particular parliamentary enquiry was made by members of the Green Party, which scored 8.4 percent of the votes at the last federal election in September 2013.