

# CETA's threat to agricultural markets and food quality

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## INTRODUCTION

Small-scale farms and other alternatives to industrial agriculture will soon be confronted with the consequences of a new era of trade policy. The EU is eager to open its domestic market for many sensitive agricultural products, such as dairy and meat, that have been until now mostly protected from imports. Granting market access to foreign products through new bilateral free trade agreements (FTAs) would put small-scale agricultural producers—as well as sustainable agricultural practices in general—under severe pressure in the EU and elsewhere. The threat posed by new FTAs to small-scale farmers is evident in the final CETA text, especially in the agreement's provisions on market access and geographical indications.

In Germany, and throughout the EU, the market for meat and dairy is characterised by excessively low producer prices. EU agricultural policies have encouraged a production surplus, which drives down prices to primary producers, supposedly to make European farmers 'competitive' on the global market. The main beneficiaries of the EU's low industrial prices are European industrial meat processors. If deals like CETA go ahead these large processors will be able to increase exports, leading to even greater revenues.



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Currently, European domestic meat markets are protected through import tariffs, including on imports from Canada, to account for a significant price differential. For several years, Canadian pork has sold for up to 60 per cent less than European pork.<sup>1</sup> In 2014, despite the price crash in the European pork sector, the Canadian price was still 25 per cent lower. In part this is because Canadian pork producers are paid 15-35 per

<sup>1</sup> OECD-FAO Agricultural Outlook 2015-2024. Database published July 2015. ([www.agri-outlook.org](http://www.agri-outlook.org)).

	<i>Existing tariff quotas (tonnes)</i>	<i>Actual imports</i>	<i>Quotas for duty-free Imports † in CETA</i>	<i>Total tariff quotas after implementation of CETA</i>
<b>Canada to EU</b>				
<i>Pork (hormone-free)</i>	5,549	63	75,000	80,549
<i>Beef (hormone-free)</i>	4,162	42	45,840	50,002
<b>EU to Canada</b>				
<i>Cheese</i>	13,472	14,505	16,000	31,072
<i>Industrial cheese</i>				1,700

### Infographic: Quotas for duty-free imports and exports of meat and dairy in CETA (tonnes)

Source: BMEL\* , CETA text \*\*

† Duty-free quota with transitional period of six years after ratification.

cent less than their European counterparts. Should CETA allow for an opening of those markets, under current conditions Canadian producers would be able to offer their products in the EU at a much cheaper price than comparable EU producers.

## ANALYSIS OF KEY PROVISIONS

### Market access: The cheapest provider exports

CETA<sup>2</sup> envisages a complete elimination of tariffs on almost all goods over a transitional period starting from the agreement's entry into force.<sup>3</sup> Both Parties have, however, negotiated special provisions for certain agricultural products in the form of quotas for duty-free imports of particularly sensitive products including, for the EU, beef and pork.

2 Consolidated CETA text as published by the European Commission in February 2016: [http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc\\_154329.pdf](http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc_154329.pdf).

3 For market access, see chapter 2 of the CETA text: National Treatment and Market Access for Goods, page 9: [http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc\\_154329.pdf](http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc_154329.pdf).

If CETA is implemented, the EU's quotas for Canadian pork and beef imports will increase twelve- to fourteen-fold relative to current levels.<sup>4</sup> Whether imports actually increase will depend on the Canadian export industry's ability to fill the new quota volume without the use of hormones or ractopamine (a controversial feed additive to accelerate the fattening process). Production standards are higher in Europe than in Canada and, in many cases, are still influenced by small-scale farmers. In Europe, the use of growth hormones or performance-increasing antibiotics is prohibited. In addition, European regulations and standards for livestock handling (e.g. space requirements, the kind of slatted floors to be used, authorisation procedures) are different than Canadian rules.<sup>5</sup>

\* Statistics by BMEL: <http://www.bmel-statistik.de/>.

\*\* See footnote 2

4 See CETA Chapter 2 – National Treatment and Market Access for Goods, p. 9ff, as well as Annex 2-A, p.231ff: [http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc\\_154329.pdf](http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc_154329.pdf).

5 ISN: Vergleich der Rahmenbedingungen in der Schweinehaltung in den USA und Deutschland, <http://www.schweine.net/news/ttip-us-handelsbeauftragter-kein-zwang.html>.



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Canadian slaughterhouses have not yet been able to fill the EU's duty-free quotas for pork and beef imports. However, as increased quotas would make it more attractive for Canadian producers and processors to produce hormone-free meat for export, CETA may give them the incentive to restructure their production chains and slaughtering processes. If that were to happen, the resulting increase in imports from Canada could put significant downward pressure on European meat prices.

The agreement would allow Canadian imports to encompass about 0.4 per cent of European pork consumption and 0.6 per cent of its beef consumption.<sup>6</sup> There is already a surplus of meat and dairy production in Europe, which is responsible for destructive producer prices. In order to ensure the continued existence of local agriculture, the meat industry must make it a priority to reduce production

quantities and focus on consumer demands for high-quality, socially conscious products.

### *Transatlantic milk trade*

While CETA would have a potentially destabilizing impact on the European meat market, proposed increases in dairy quotas in the agreement would also facilitate additional European cheese exports to Canada, putting comparable pressure on the Canadian dairy market.

Currently, Canada employs a supply management system for its dairy industry. This policy provides dairy farmers with fair, stable incomes by ensuring that the supply of dairy products is aligned with domestic demand. Producers are allotted a quota for production and are fined for every litre of milk produced in excess of their quota, while imports of dairy products are limited by tariffs. The price of milk in Canada is therefore aligned with the domestic cost of production, providing for a fair return to primary producers.

<sup>6</sup> Directorate General for External Policies (2014): Negotiations on the EU-Canada Comprehensive Economic and Trade Agreement (CETA) concluded, Brussels, October 2014

## **ANIMAL WELFARE FOR FARM ANIMALS IN CETA** ***Olga Kikou, Compassion in World Farming***

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There is no language in CETA specific to ‘*animal welfare*’ except briefly in the chapter on Regulatory Cooperation (Chapter 21). This oversight makes it difficult to assess any positives or shortcomings in CETA’s approach to animal welfare, except of course when we compare the text to existing legislation and practices in Canada and the EU. The lack of attention given to animal welfare in CETA demonstrates an alarming trend among governments to sacrifice significant ethical principles and social values in the name of international trade.

In Article 21.4(s), the Parties commit to undertake regulatory cooperation activities in a wide variety of areas, including by ‘*exchanging information, expertise and experience in the field of animal welfare in order to promote collaboration on animal welfare between the Parties.*’ However, plans for collaboration do not necessarily result in higher levels of protection for farm animals or the protection of existing standards.

Canada’s standards for farm animal welfare are very weak compared to EU legislation. Indeed, Canadian agricultural policy is characterized by an overall lack of consideration for the well-being of farm animals. Codes of practice are outdated, often voluntary, and are not backed by strong enforcement provisions. Canada’s Criminal Code includes some very limited protections for farm animals, but they exclude chicken and fish—i.e. the animals making up the majority of food production. The *Health of Animals Act* regulates the transportation of farm animals while the *Meat Inspection Act* sets down regulations for the slaughter of animals, but this federal legislation is generally considered inadequate for protecting animal welfare.

The European Union has recognized animals as sentient beings and requires Member States to ensure their welfare is respected. A series of regulations and directives covering different species at all stages of the farming process guarantee some minimum level of protection. In particular, EU-wide bans are in place to safeguard against the worst forms of cruelty. For example, barren battery cages for hens, veal crates, and sow stalls (after the first four weeks of pregnancy) are all banned in the EU. However, after a period of progress in enacting legislation, the EU is currently unwilling to produce new animal welfare legislation. The current Commission’s strategy is to focus more on enforcement rather than to present new legislative measures.

An increase in the trade of animal products under CETA, without any safeguards for animal welfare standards at all phases of the production process, will erode current standards and may undermine future efforts to strengthen animal welfare rules in both the EU and Canada.

Thanks to this supply management system, the price paid to dairy producers in Canada is approximately 50 cents (€0,34) per kilogram.<sup>7</sup> In contrast, the price of milk in Europe dropped drastically in June 2016 to just 25.81 cents (€0,17) per kilogram.<sup>8</sup> The recent decline was the result of the abolition of the EU milk quota regime in April 2015. The EU's efforts to re-orient its agricultural policy toward exports—in order to lay the groundwork for trade agreements such as CETA—had the effect of slashing the price of milk paid to European producers.

The low price of milk in the EU is bound to undercut the higher, income-supporting Canadian milk price. The EU cheese industry would easily fill the new tariff quota space afforded under CETA. It should be noted that EU agricultural policy cannot claim to be 'sustainable' if by exporting its surpluses to Canada it interferes with a socially oriented market regulation designed to support farmers.

### *Procedural quality versus product quality*

In addition to liberalising agricultural markets, CETA threatens to weaken food safety standards. For example, the surface treatment of meat with chemical and organic substances may become more common. In Europe, carcasses generally remain untreated after slaughtering, except in cases where they are washed with water. In Canada, however, it is common practice to clean carcasses with chemicals such as chlorine. The EU has already relaxed standards for the surface treatment of beef carcasses with lactic acid<sup>9</sup> (per-

haps as an early gift to Canadian and U.S. trade negotiators). In addition, the EU has been discussing for several months now whether to permit the surface treatment of poultry using acetic acid.

CETA may lock in these changes and encourage further deregulation. Weakening standards for slaughtering practices will not only be profitable for the Canadian poultry and meat processing industries, but also for their European counterparts, as it will allow for the further industrialisation of slaughtering processes. The EU has signalled its willingness to trade off high-quality meat processing and quality assurance practices for more chemically based treatments.<sup>10</sup> From an agricultural perspective, the trend is extremely problematic. Instead of this deregulatory approach, the EU should prioritise the protection of small-scale slaughterhouses, and promote ethical, safe and sustainable processing practices.



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7 Canadian Dairy Commission (2016): <http://www.cdc-ccl.gc.ca/CDC/index-eng.php?id=3810>.

8 European Commission. European Milk Market Observatory: [http://ec.europa.eu/agriculture/milk-market-observatory/latest-statistics/prices-margins\\_en.htm](http://ec.europa.eu/agriculture/milk-market-observatory/latest-statistics/prices-margins_en.htm) (last visited: 04.08.2016).

9 Commission Regulation (EU) No 101/2013 of 4 February 2013 concerning the use of lactic acid to reduce microbiological surface contamination on bovine carcasses: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:034:0001:0003:EN:PDF>.

10 Arbeitsgemeinschaft bäuerliche Landwirtschaft (2014): Freihandelsabkommen stoppen – unübersehbare Auswirkungen auf die bäuerliche Landwirtschaft, Berlin/Hamm, April 2014.

## CETA AND GENETIC ENGINEERING

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CETA contains an article specifically referring to bilateral cooperation in the field of biotechnology (Article 25.2). Through this article, Canada and the EU commit to information exchange and further cooperation on a wide variety of critical biotechnology issues, including approval procedures for new products and procedures for dealing with the release of unauthorised genetically modified organisms (GMOs). The list of 'relevant issues' for bilateral dialogue is non-exhaustive and can be expanded at any time. Notably, while trade promotion is a primary objective of the bilateral dialogue on biotechnology, there is no mention of environmental or consumer protection. It also makes no mention of efforts to limit the dominance of a very few corporations on the seed market.

In Canada, GMOs are widely used in agriculture. For example, more than 90 per cent of all rapeseed (canola) cultivation in Canada is genetically modified. Genetically modified rapeseed from Canada can even be found in food products that are allegedly GMO-free.<sup>1</sup> For example, Canadian honey often contains pollen from genetically modified rapeseed crops.<sup>2</sup> Like the EU, Canada has an approval procedure for genetically modified plants<sup>3</sup> and enforces a zero tolerance policy for species that are not approved. However, Canada has approved far more species than has the EU.

From the perspective of Canadian exporters, the EU's strict rules for biotech products are a barrier to trade—products that are not approved in the EU cannot be exported to the EU. Furthermore, goods that are contaminated with non-approved products must be withdrawn from the market. Canada has already challenged European rules for the approval of genetically modified plants through the World Trade Organisation (WTO).<sup>4</sup> In 2009, Canada and the EU reached a settlement that included the creation of a bilateral forum for the approval of new biotech products. In CETA, this dialogue is expanded to address a wider variety of biotech issues.

### A dialogue shaped by the interests of the biotech industry

Even though CETA does not create a binding obligation on the EU to change its current approval procedure for GMOs, the parties commit to further dialogue and cooperation on GMOs and related issues. Problematically, the issues and objectives of the bilateral dialogue, as described in Article 25.2, are clearly designed to serve the interests of the biotech industry. For example, paragraph 25.2.1(c) specifically addresses the impacts of 'asynchronous' approval processes for biotech products, which is a common complaint of biotech exporters.

1 <http://www.oekotest.de/cgi/index.cgi?artnr=104985&bernr=04> (in German).

2 Pollen from genetically modified rapeseed crops has been found in Canadian honey on various occasions since the 1990s by Germany authorities (Chemischen und Veterinäruntersuchungsämter (CVUA) in Baden-Wuerttemberg) and the magazine Ökotest. See e.g. [http://www.ua-bw.de/uploaddoc/cvuafr/1B2008\\_Gentechnik\\_Internet.pdf](http://www.ua-bw.de/uploaddoc/cvuafr/1B2008_Gentechnik_Internet.pdf) (in German).

3 The Regulation of Genetically Modified Food in the website of the Canadian Ministry of Health [http://www.hc-sc.gc.ca/sr-sr/pubs/biotech/reg\\_gen\\_mod-eng.php](http://www.hc-sc.gc.ca/sr-sr/pubs/biotech/reg_gen_mod-eng.php)

4 World Trade Organization dispute DS292 [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds292\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds292_e.htm)

CETA's mechanism for 'regulatory cooperation' (see chapter on Regulatory Cooperation) is particularly important in this context, since the parties are bound by that mechanism to try to align their regulations over time. The regulatory cooperation mechanism raises the risk that future legislation in the field of biotechnology (e.g. for the regulation of new methods of genetic manipulation) is, from the very outset, influenced by the interests of the biotech industry.

Furthermore, it is particularly dangerous that the parties agree in paragraph 25.2.2(b) 'to promote efficient science-based approval processes for biotechnology products'. In North America and among industry associations, the precautionary principle—the policy that precludes the approval of new products if they have not first been proven harmless to humans and the environment—is not considered 'science-based'. Instead, Canadian regulators and the biotech industry take the approach that risk must be unequivocally proven before a product can be banned. This demand in CETA might seem harmless at first. Yet, one of the fundamental principles of the EU's regulatory processes is that policy makers decide whether or not a particular risk should be taken. Unlike a technocratic, 'science-based' standard, policy makers can be held accountable by their voters in elections.

Canada is also a global leader in the development of international standards for so-called 'low-level presence'.<sup>5</sup> Through trade policy, Canada and others intend to establish an internationally-accepted tolerance limit for GMO contamination, thus solving the problem of contamination without addressing the root cause. This approach not only contradicts the current EU approval process but it also clashes with a large segment of public opinion in Europe.<sup>6</sup>

Finally, in addition to Article 25.2 on biotechnology, CETA's chapter on investment protection has a potential significance for biotechnology regulation. Canadian biotech corporations may be able to use the agreement's investor-state dispute settlement mechanism to sue governments in the EU for compensation over stricter or modified regulations related to genetic engineering (see chapter on ISDS). ISDS is just one more threat to the regulation of GMOs under CETA.

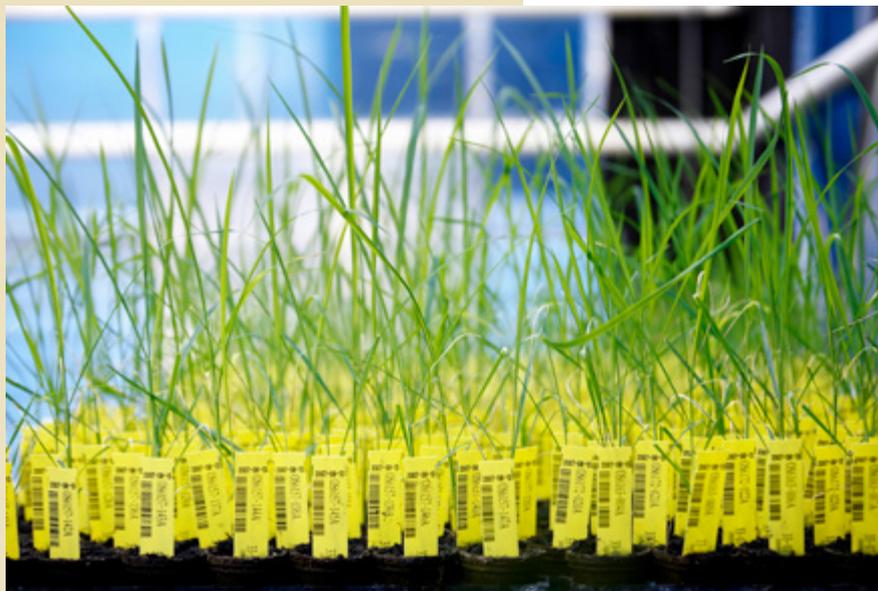


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<sup>5</sup> <http://www.agbioforum.org/v16n1/v16n1a04-tranberg.htm>

<sup>6</sup> One of the very rare EU-wide surveys was the Eurobarometer survey published in February 2010. A key finding of this survey was that people in Europe 'do not see benefits of genetically modified food, consider genetically modified foods to be probably unsafe or even harmful and are not in favour of development of genetically modified food'. See <http://ec.europa.eu/COMMFrontOffice/PublicOpinion/index.cfm/ResultDoc/download/DocumentKy/55674>

## Degradation of regional quality

Geographical indications (GIs) are the names of specific regions and places that designate the origin of certain protected food products. GIs make it possible for small-scale farmers in specific regions to establish higher prices for well-known, high-quality food products, and they contribute to regional economic development by supporting value-added industries. Examples of important GIs in Germany alone include Frankfurter Grüne Soße (Frankfurt green sauce), Schwäbische Spätzle (Swabian egg noodles), Bayrische Brezen (Bavarian pretzels), Münchner Bier (beer from Munich) and Schwarzwälder Schinken (Black Forest ham). In 2015, 1,308 food products, 2,883 wines and 332 spirits were protected as GIs in Europe.<sup>11</sup>

CETA would only protect 173 products with geographic indications.<sup>12</sup> Although CETA contains a space where Canadian GIs can be listed, the space is totally empty. There is no such system for Canadian products, and Canadian producers of imitation food products would like to do away with GIs completely.<sup>13</sup> The list of GIs in CETA is unlikely to prevent imitations in Canada anyway. Under CETA, Canadian producers would still be allowed to distribute comparable products with English or French translations of the original name (e.g. 'Black Forest Ham'). The European Commission claims it was not possible to negotiate comprehensive protection for English and French translations of GIs, which means they are effectively neutered in Canada.<sup>14</sup>

11 Friends of the Earth Europe (2016): Trading away EU Farmers, Brussels, April 2016.

12 In the CETA text, geographic indications are included in Chapter 20 – Intellectual Property, p.155ff and Annex 20-A, p.516ff: [http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc\\_154329.pdf](http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc_154329.pdf).

13 Agra-Europe (2015): TTIP: Hogan will 'Schnellstraße über den Atlantik', Agra-Europe 9/15, 23 February 2015.

14 German Bundestag (2015): Auswirkungen von TTIP und CETA auf geschützte geografische Herkunftsangaben und auf die Kennzeichnung von gentechnisch veränderten Lebensmitteln. Drucksache 18/4560, April 2015.

The CETA text allows for the possible addition of products to the list of protected GIs after the conclusion of the agreement. However, it also allows for products to be erased from the list if they are no longer regarded as relevant. Article 20.22.1 states 'the CETA Joint Committee, established under Article 26.1, may decide to amend Annex 20-A by adding geographical indications or by removing geographical indications which have ceased to be protected or have fallen into disuse in their place of origin'.<sup>15</sup>

Because the CETA Joint Committee is ultimately responsible for this decision, Canada's consent will always be required if a product is to be added or removed from the list. Notably, while this committee would likely include the corporate sector in its decision-making processes for regulatory cooperation, it has no obligation to involve European national parliaments.<sup>16</sup> The future effectiveness of the GI system is called into question by CETA at exactly the moment it should be strengthened in Europe and internationally.

## Closing the door to agrarian industrialisation

The ratification of CETA in its current form poses a considerable threat to local agriculture on both sides of the Atlantic. Rather than the promotion of exports and surplus production, what is needed are concerted efforts to safeguard regulatory standards for food quality and local economic development. Concretely, this includes efforts to foster animal welfare and non-GMO feeding, to strengthen the local production of protein feed, to ensure the right to re-sow seed from protected varieties, to stop back-door genetic modifications, and to reduce the use of pesticides and chemical fertilisers. These crucial initiatives are both obstructed and threatened by the pro-corporate trade policy found in CETA.

15 CETA Chapter 20, p.159 [http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc\\_154329.pdf](http://trade.ec.europa.eu/doclib/docs/2016/february/tradoc_154329.pdf).

16 Stoll P-T, Holterhus P, Gött H (2015): Die geplante Regulierungszusammenarbeit zwischen der Europäischen Union und Kanada sowie den USA nach den Entwürfen von TTIP und CETA. Vienna, June 2015.