

## Beef: Trade issues for the ACP

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### About this update

CTA's Executive brief: *Beef: Trade issues for the ACP*, was published in June 2008 and in CTA's *Agritrade: ACP–EU Trade Issues (2009 Compendium)*. This update consists of:

- 1. Background and key issues:** briefly summarising the original executive brief, and where necessary, updating developments related to key issues;
- 2. Latest developments:** reviewing developments that have taken place since the publication of the original executive brief;
- 3. Implications for the ACP:** examining the implications of recent developments for the ACP countries concerned.

The original executive brief (2008) is available on request from: [agritrade-mail@cta.int](mailto:agritrade-mail@cta.int).

## 1 Background and key issues in the beef sector

The EU was for many years a significant surplus beef producer. Extensive use was made of export refunds to clear EU stocks, with this giving rise to the periodic ‘dumping’ of beef stocks on a number of ACP markets, notably in southern Africa. At its peak, the EU was exporting over 1 million tonnes of beef a year. However, ongoing improvements in milk yields in Europe in the context of quota restrictions on overall dairy production have seen the EU dairy herd shrink considerably. With two-thirds of all EU beef production coming from it this has served to reduce EU beef production. Along with concerted efforts to dispose of beef intervention stocks and the reform of the EU support system for beef producers since 1993, this has seen the EU’s beef-trade position transformed. Indeed, since 2003 the EU has become a net importer of beef. The EU still exports beef but no longer in such volumes as to swamp markets. Having fallen by over 81% from peak levels by 2006, EU beef exports are projected to decline by a further 66% by 2015 compared to 2006 levels. In this context the EU is expected to be a minor exporter of beef in the coming period. It will however still export low-quality beef cuts, largely as a consequence of an imbalance between production and demand for low-quality beef cuts. Depending on the evolution of demand for low-quality EU beef in Russia, these exports of low-quality beef could increasingly focus on African markets. An additional new phenomenon has been the participation of EU beef traders in a triangular trade in low-quality beef, with imports from low-cost producers being re-exported to traditional EU markets.

In the context of quota-restricted preferential access for certain specified ACP suppliers (Botswana, Namibia, Swaziland, Zimbabwe, Kenya and Madagascar), the EU’s traditional high-price policy, which sustained prices substantially above world market prices, made the EU market very attractive to ACP beef exporters. However, the shift from price support (via a reduction in intervention prices for beef cattle) to systems of direct aid payments to farmers, made through the decoupled single-payment scheme, allowed EU market prices for beef to fall. Thus the attractiveness of the EU market to traditional ACP beef exporters fell, particularly for low-quality, low-priced beef carcasses. What is more, this process of price reduction was accompanied by the introduction of stricter food-safety controls following major food-safety scares in the beef sector. This served to increase the costs of supplying ACP beef to the EU market, both at the level of private-sector producers and the local public authorities responsible for ensuring the integrity of food-safety controls throughout the supply chain. Declining prices and increased costs have served to generate a profitability squeeze for ACP beef exporters.

These developments have been compounded by a growing EU policy focus on the promotion of quality beef production and the establishment of ‘quality’ standards which enable consumers to clearly differentiate ‘quality’ beef production from undifferentiated beef production. It is hoped that this clearer ‘quality’ differentiation, however defined, will secure significant price premia for EU producers. With a devaluation of the euro against the local currency of a number of ACP beef suppliers in the second half of the 1990s, some ACP suppliers (e.g. Swaziland) stopped supplying beef to the EU market, since this was no longer commercially attractive, while other suppliers saw a reduction in the numbers of cattle offered for sale for local processing for the export of beef carcasses to the EU.

These trends imply that if a profitable trade in beef is to be maintained, then ACP beef exports will need to increasingly target ‘luxury purchase’ markets in the EU, market components which are growing as EU consumers increasingly favour beef products differentiated by ‘quality’ and animal-welfare assurances. If such trade adjustments are not brought about, the danger exists that the net returns on beef exports to the EU will no longer justify the investments required to sustain access to the EU market. In at least one ACP beef-exporting country the process of redefining its marketing strategy so as to target ‘luxury purchase’ markets, not only in the EU but elsewhere, has been under way since the end of 2007.

Given the large under-fill of beef quotas under the previous tariff-rate quota (TRQ) arrangement (the beef protocol), it was never foreseen that the granting of duty-free, quota-free access from 1 January 2008 would have any significant impact on the volume of beef exports

from traditional ACP beef suppliers. What is more, the high costs associated with setting in place the necessary food-safety, sanitary and phytosanitary (SPS) and animal-welfare-compliance regimes in non-traditional beef-exporting countries are such that it seems highly unlikely that any non-traditional suppliers will emerge from within the ACP group. This is corroborated by the experience under the EBA regime, where duty-free, quota-free access has been in place for least-developed countries (LDCs) since 2001 and where to date no new beef exporters have emerged. Thus at the ACP level, the beef trade with the EU is becoming less significant. For the vast majority of ACP cattle producers local, national, and in some parts of the ACP, regional markets, are far more important than the EU market. With EU production no longer giving rise to huge volumes of subsidised beef exports, the CAP is having less and less impact on the ACP beef sector.

Significantly, the process of EU beef-sector reform has served to increase the scope for a reduction of tariff protection around EU beef markets, a move now being contemplated both in a WTO context and bilaterally, through free-trade-area negotiations with major overseas suppliers in the Mercosur region. Any reduction of duties on imports from these major suppliers of beef to the EU market would be expected to have a significant price effect on the components of the beef market primarily served by these imports. To the extent that ACP suppliers continue to serve these same market components, such a development would be likely to have serious implications for the sustainability of such exports to the EU market.

Nevertheless the cost-increasing effects of the application of stricter EU food-safety, SPS-compliance and animal-welfare standards, in a context of changes in the distribution of global demand for beef, are serving to reduce the attractiveness of the EU market to the major beef exporter, Brazil. This could serve to reduce the volume of Brazilian beef exports to the EU, with the consequent supply constraints serving to sustain EU beef prices at levels which enable ACP suppliers to maintain profitable exports of quality-differentiated beef products.

One major uncertainty in the beef sector in the longer term is the impact of the removal of production quotas in the dairy sector in 2015. Depending on the level of world-market dairy prices, this could serve to slow down or even reverse the decline in the size of the EU dairy herd, thereby impacting on the volume of domestically produced beef in the EU.

## 2.1 Developments in the EU beef market

In 2008 total EU meat consumption fell by 2.2%, with per capita beef consumption falling by 2.3%, pig-meat consumption falling by 3.23% and poultry-meat consumption remaining stable. On a per capita basis beef consumption fell more in new EU member states than in the EU15 countries. In the beef sector this decline was a consequence of high prices, resulting from the lower availability of beef following the closure of the EU market to Brazilian beef exports for failure to comply with traceability requirements. Consumption also declined in 2009 but at a slower rate than in 2008. This decline was however slower than the decline in production (1.2% compared to 2.3%), resulting in a 13.7% increase in imports in 2009. EU beef prices by December 2009 were some 2% below the price levels of December 2008, but with considerable variation across the EU (from -16% in Slovakia to plus 1% in Greece). This brought prices back to levels comparable to those reached before the price surge.

This trend of a more rapid decline in production than consumption is set to continue up to 2015, with EU beef production projected to decline by some 4.8% between 2008 and 2015 (-402,000 tonnes) following the structural reduction in the dairy herd and the impact of the decoupling of support payments. Consumption meanwhile is projected to exhibit a more modest decrease of 0.8% (some 70,000 tonnes).

As indicated previously the major development in 2008 was the closure of the EU market to Brazilian exports following a failure to comply with EU traceability requirements, this led to a sharp fall in overall imports. In 2009 imports increased as export restrictions on beef temporarily introduced by the Argentinean government were lifted and supplies from Uruguay increased. Imports are projected to continue to increase up to 2015, with imports increasing by

60% over 2008 levels (+229,000 tonnes). By 2015 this will have taken imports back up to 98% of the level attained in 2006. This trend presents new market opportunities to ACP exporters.

**Table 1: Projections EU beef/veal production, consumption imports and exports 2006-2015 ('000 tonnes cwe)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Gross indigenous production	8,180	8,254	8,293	8,102	8,078	8,010	7,951	7,906	7,908	7,891
Net production	8,133	8,203	8,253	8,065	8,041	7,973	7,914	7,869	7,871	7,855
Consumption	8,566	8,631	8,470	8,386	8,429	8,433	8,430	8,404	8,403	8,400
Imports	619	541	379	431	478	546	594	608	599	608
Exports	186	113	162	110	90	86	79	73	68	63

cwe = carcass weight equivalent

However, despite the granting of full duty-free, quota-free access to the EU market under the Everything but arms (EBA) and the various interim economic partnership agreements (IEPAs), the number of ACP countries exporting beef has declined, with the six nominal suppliers under the beef protocol being reduced to only two exporters, Namibia and Botswana. This reflects two major developments, firstly the decline in EU beef-market prices (prior to the food-price surge) and secondly, the increasing cost of compliance with EU food-safety and SPS regulations. This saw Swaziland, whose exports had been concentrated on lower-priced beef carcasses, ending its export of beef to the EU market. For its part, Zimbabwe fell out of supplying the EU market as a result of the breakdown of animal-disease-control and traceability systems. This, coupled with the increased attractiveness of local cattle markets for Namibian producers, in the face of a temporary devaluation of the euro against the rand, saw a dramatic drop in ACP supplies of beef to the EU market.

Thus while the granting of duty-free, quota-free access has generated income savings for existing ACP beef exporters (an estimated €1.96 million per annum for Botswana and €1.5 million per annum for Namibia) it seems highly unlikely that any significant increase in the volume of beef exports to the EU will take place in the coming years. However, it is possible that the value of Namibian beef exports could increase, given the move over to differentiated marketing of beef cuts which the main Namibian beef exporter has adopted.

## 2.2 Developments in global beef markets

Between 1999 and 2007 global demand for beef shifted, with consumption in developed economies stagnating and demand in developing countries showing 'decent growth' (e.g. +2.4% per annum in China, +1.9% in Brazil and 11.5% in Argentina). On the production and trade side the biggest change was the expansion of Brazilian exports, which saw Brazil emerge as the world's main beef exporter. The trade disruptions resulting from Brazilian non-compliance with EU traceability requirements saw a 5.5% decline in global trade in beef in 2008

In terms of prices, from the spring of 2004 global beef prices appeared to have moved to a higher average level of around US\$2.5/kg. However the commodity-price boom saw beef prices rise to a new peak of US\$3.87/kg in July 2008, but the onset of the economic downturn saw a weakening of demand for beef with prices falling to a low of US\$2.36/kg in February 2009, 'the lowest level since spring 2004'. Prices have since recovered, reaching US\$2.73/kg in August 2009, slightly higher than the level registered before the price hike of 2008 began. Prices have subsequently fluctuated only slightly reaching US\$2.80/kg in December 2009, some 12.9% above December 2008 levels. In the medium term it is felt that beef prices should be supported by the economic recovery but with the timing and extent of recovery being uncertain (although projections differ).

In the longer term both consumption and production are expected to resume the pattern of moderate growth (1.3% per annum) according to OECD-FAO projections, with production expected to increase from 65 million tonnes in 2009 to 74 million tonnes in 2018. Consumption growth is expected to be concentrated in dynamic emerging economies. This will see the global trade in beef return to its previous growth trend (+2.8% per annum).



This suggests that in the coming period market developments for beef are likely to be more dynamic outside of the traditional EU market, despite the growing EU production deficit and projected growth in imports. This has real implications for the future marketing of ACP beef internationally.

## 2.3 Meeting the food-safety, SPS and animal-welfare challenges

EU food-safety, SPS and animal-welfare standards are becoming increasingly strict. This reflects not only the intrinsic EC concern with these issues but also the shift in the EU policy focus towards the production of high-quality, differentiated beef cuts. In the past 18 months three major developments have taken place. Firstly the entry into force of stricter animal-feed regulations, secondly the adoption of new standards on the treatment of animals at the time of slaughtering and thirdly moves towards the adoption of new standards for the labelling of beef products according to animal-welfare standards.

The entry into force of new feed regulations is in many respects simply an extension of the existing food-and-feed control regulations, compliance with which is being routinely assessed by the EU's Food and Veterinary Office through its inspection visits to ACP beef-exporting countries. In the course of 2009 Food and Veterinary Office (FVO) missions to both Botswana and Namibia were carried out "to evaluate animal-health controls in place", in particular with regard to the foot-and-mouth-disease control measures in place and the certification procedures applied. In both countries while "some shortcomings" were found, overall it was concluded that the competent authorities 'continue to ensure compliance with Community animal-health requirements for fresh bovine meat exported to the EU'. A number of specific suggestions were made for improvements in national SPS and food-safety controls, with it being anticipated that, as with earlier recommendations, these issues would be addressed in ways which strengthen national control capacities.

In the case of Botswana, the large revenue surpluses enjoyed have enabled the government to maintain animal-disease-control systems, despite the declining returns on sales of beef to the EU market. However, in a context of increased fiscal stringency, the cost effectiveness of existing animal-disease-control measures may come under increasing scrutiny, given the limited volumes and declining returns on Botswana beef sales to the EU market, although the political importance of beef to the Botswana rural economy may well serve to insulate livestock services from any expenditure cut-backs.

In the case of Namibia, with marketing arrangements for beef having been restructured to enhance revenue earnings (see section 2.4.), the maintenance of livestock services and animal-disease control and traceability systems would appear to be secure. However, in both countries this does represent an ongoing challenge.

Turning to the issue of the new standards on the treatment of animals at the time of slaughtering, the new rules are expected to come into effect on 1 January 2013. The new regulations integrate welfare concerns into slaughtering practices and 'require regular monitoring of the efficiency of stunning techniques'. Killing methods are more restrictively defined, and technical changes are set out relating to the 'construction, layout and equipment of slaughterhouses'. The regulation requires slaughterhouses to appoint specific people as responsible for animal welfare and to ensure that staff are 'properly trained and certified' in the implementation of specific standard operating procedures. The approach builds on the current HACCP (hazard and analysis critical control points) system in place in the EC, and aims to provide a 'level playing field for operators' across the EU 'so that their competitiveness is not affected by discrepancies in their costs of production or their market access'.

The regulation applies equally to slaughterhouses in third countries wishing to export meat to the EU, where it is required that equivalent standards be met. According to a guide to the new regulation, the standards of the World Organisation for Animal Health will be taken into account when assessing equivalency. It should be noted that under the regulation an effort is being made to minimise the costs associated with implementing the required measures. With this in mind small slaughterhouses are exempt from appointing animal-welfare officers, while

other aspects of the regulation have extensive transition periods (e.g. redesigning slaughterhouses and requiring staff to have certificates of competence). Internally the EC sees compliance with the new standards generating ‘positive market values’, through improving consumers perceptions of the quality and standards of EU meat, thereby increasing their willingness to pay a price premium for such meat.

This dimension is already recognised in Namibia, where the standards being applied have sought to anticipate trends and go beyond existing EU standards, with marketing improvements being designed to ensure that farmers can gain maximum benefit from the price premiums\*\* which consumers are willing to pay for high-quality meat, including meat which is produced in line with high animal-welfare standards. A critical consideration however, will be how the EU authorities chose to apply the principle of equivalence. For example, a flexible interpretation in line with local realities on such issues as the length of the transition period (linked to existing industry investment plans) could serve to reduce the cost-increasing effects of the new regulation in ACP countries with limited production runs. Close scrutiny will be required to ensure that the ‘equivalency’ principle is not applied in ways which come to constitute an effective barrier to trade.

It is perhaps worth noting that the ongoing investment required at both government and private-sector levels to sustain access to the EU market under increasingly strict food-safety, SPS and animal-welfare regulations, provides an important insight into why no LDC country has developed beef exports to the EU market since the introduction of duty-free, quota-free access for LDC exports in the beef sector in 2001. It would also suggest there is little prospect of new ACP beef exporters emerging in response to the duty-free, quota-free access granted under the various (I)EPAs.

With regard to the discussion over the new standards for the labelling of beef products in the light of animal-welfare standards, the purpose of this initiative is to make it ‘easier for consumers to identify and choose welfare-friendly products’ and hence provide ‘an economic incentive to producers to improve the welfare of animals’. It is felt in the EC that higher animal-welfare standards offer the prospect for producers to secure price premiums\*\*, by making it easier for consumers who are willing to pay more for animal-welfare-friendly meats to identify such products. Options for animal-welfare labelling currently under consideration include:

- ‘the establishment of requirements for the voluntary use of animal-welfare claims’;
- ‘the establishment of a voluntary Community Animal-welfare Label open for all to use, provided they meet the criteria’;
- the drafting of guidelines for animal-welfare labelling and quality schemes.

The critical question faced in the elaboration of specific EU animal-welfare labelling regulations is: will they be drafted on the basis of standards which are generic, and hence open to all meat producers regardless of region of origin, or will they be defined and applied in ways which are essentially Eurocentric, and hence come to constitute a means of discriminating against imported meat products which in reality meet similar animal-welfare standards. It should be noted in this context that during the February 2010 discussions of animal-welfare labelling in the EU Agriculture Council, the importance of non-discrimination, in order to ensure the WTO-compatibility of any animal-welfare labelling schemes introduced was highlighted.

A secondary question relates to the certification requirements linked to animal-welfare labelling. Will these certification requirements come to impose additional financial burdens on ACP exporters of quality meat products, produced from animals raised in line with EU animal-welfare standards, or will all producers have equal access to the certification process at equal cost?

These are important questions, since in future they will directly impinge on the ability of ACP producers to participate competitively in an increasingly fragmented and differentiated EU meat product market. Some ACP suppliers are already actively pursuing strategies to meet the new

challenges of effectively differentiating their beef products on quality grounds. While this is yielding substantial additional commercial benefits, it is vitally important that the costs of meeting new EU standards, be they welfare or hygiene standards, are kept to a minimum. These considerations need to be incorporated into the design of any new EU animal-welfare labelling schemes.

## 2.4 Current responses to preference erosion

In the course of 2009 in response to the erosion of the value of traditional trade preferences in the beef sector, the main Namibian beef-exporting company MEATCO continued to develop its efforts to serve 'quality-differentiated' components of the market. This has involved:

- a clear identification of the quality-differentiated 'luxury purchase' market components to be served, not only in traditional EU markets but beyond;
- the appointment of overseas representatives tasked with getting to know in-depth final-consumer needs and requirements;
- the development of a distinct brand identity (the 'Natures Reserve' brand launched in September 2008), to facilitate product identification by discerning 'quality-conscious' consumers;
- investment in new packing equipment (e.g. vacuum-packing equipment) to ensure customers' requirements are more effectively met.

However it should be noted that a necessary prerequisite for the launching of these marketing initiatives was the existence of the Farm Assurance Namibia' (FAN) scheme. This quality-assurance scheme, the foundations of which can be found in initiatives taken as early as 1999, came to include, over time, a fully computerised traceability system, sought to promote not only compliance with existing statutory standards, but also to provide the basis for meeting future consumer expectations and market requirements. This is important from a wider ACP perspective, since it is indicative of the scale of investments required to secure both access to the EU market and to ensure that remunerative components of the market are served.

This more targeted marketing approach and associated investments in production to effectively service the needs of particular 'luxury purchase' market components has enabled the main Namibian beef exporter to secure a larger share of the 'premium prices' available from the sale of 'quality-differentiated' Namibian beef cuts. This in turn has enabled MEATCO to pay Namibian beef farmers price premiums\*\* of N\$183 million per annum above the prices received by comparable South African farmers. It has also enabled the Namibian beef industry to diversify away from its exclusive dependence on overseas EU markets for prepared meat products. This has targeted both other non-EU European markets (e.g. Norway) and regional markets (e.g. South Africa), with these two markets now accounting for a higher percentage of total beef sales of Namibia's main beef exporter than the EU. Overall this has served to stabilise the number of cattle being offered for slaughter at MEATCO facilities and has even begun to prompt a small increase in the number of cattle placed for slaughter (+ 9% in the last marketing season compared to the previous year).

This experience contrasts markedly with that of Swaziland where exports of undifferentiated beef products first shrank and were then discontinued, in the face of a profitability squeeze arising from the increased costs of SPS- and food-safety compliance, the reductions in the EU reference price for beef which fell particularly heavily on lower quality beef cuts and increased competition from advanced-developing-country suppliers in Latin America.

Table 2: MEATCO beef exports: % sales value by country

Destination	% sales value
EU	39.6%
South Africa	29.5%
Namibia	12.8%
Africa	0.9%
Norway	13.5%
Switzerland	1.4%
Reunion	2.3%

## 2.5 The emergence of the danger of loss of preferential access

In the course of 2009 and the early months of 2010 an increasing number of statements have been made by EC officials suggesting that the current situation, in which Namibia enjoys duty-free, quota-free access to the EU market but had not yet signed the (I)EPA was becoming untenable. In July 2009 the spokesperson of the EU Trade Commissioner warned that the Namibian government faced the possibility of a legal challenge to its duty-free, quota-free access. In February 2010 the EC delegate to Namibia argued that the ‘continuation of the *status quo* is not a solution’, while at a seminar on the SADC EPA in Maputo at the beginning of March a senior Commission official dealing with the SADC EPA negotiations told the assembled audience ‘the situation is untenable because it is unfair to countries that have signed, and it is an illegal arrangement not permissible under the WTO’. This is causing concern in the Namibian beef sector that if agreement cannot be reached on the incorporation of the alternative texts of the provisions dealing with ‘contentious’ issues into the IEPA, and the Namibian government continues to defer signing of the agreement, then this could give rise to the EC proposing the withdrawal of Namibia from the list of beneficiaries of the December 2007 EU Council regulation (1528/2007), which granted duty-free, quota-free access to countries whose governments had initialled an (I)EPA.

If such a proposal were made by the EC and approved by the EU Council the withdrawal of Namibia from the list of eligible beneficiaries would result in the loss of duty-free, quota-free access. The imposition of standard GSP duties which this would give rise to, would to all intents and purposes result in the *de facto* closure of the EU market to Namibian beef exports. This is thus a vitally important issue for Namibian beef exporters.

## 3 Implications for the ACP

### 3.1 Ensuring that standards are met cost effectively

The main challenge faced in maintaining a profitable beef trade with the EU is to cost effectively meet the required SPS, food-safety, animal-welfare and evolving quality standards required to ensure not only continued access to the EU market, but also access to ‘premium priced’ components of the EU market. This challenge has a number of different dimensions. The first relates to the framing of EU regulations. It is important that EU regulations are designed in ways which avoid any form of discrimination, both technical and commercial.

In terms of animal-welfare labelling EU ministers have recognised the importance of avoiding any form of discrimination which could be challenges in the WTO. Yet this policy commitment has to be followed through in the actual drafting of regulations or the establishment of private voluntary standards. Consultative arrangements established under the IEPA could potentially assist in ensuring non-discrimination is actually achieved. Indeed, this could be an area where clarification should be sought before signing and ratification.



The related issue then arises of ensuring that such measures are commercially non-discriminatory. This means allowing scope for the design of locally relevant compliance systems which are equivalent to the EU systems. Such locally designed systems which achieve an equivalent level of food-safety, SPS or animal-welfare compliance are likely to be far less expensive to implement than systems simply transferred from the European context.

A second dimension relates to the distribution of the burden of the financial costs of compliance and compliance verification. In the EU, agriculture ministers come under intense pressure from farmer organisations for the provision of public funds to defray the costs of implementing new regulations. Such assistance is routinely provided under EU rural-development programmes or, when needed, specific dedicated financial instruments. Against this background a case can be made for the provision of similar support under EU development-assistance programmes, particularly given the increased policy emphasis on 'aid for trade' programmes. This could take the form of grant-financed assistance to public-sector bodies responsible for compliance enforcement and verification or concessional loans via the EIB to private companies making investments in meeting EU food-safety, SPS, animal-welfare or quality standards.

This would assist in effectively addressing the two most important dimensions of the food-safety and SPS challenge, namely ensuring the maintenance of public-sector capacities for the effective verification and control of compliance and assisting ACP private-sector operators in making the necessary investments in compliance. Without such support, the danger exists that the rising cost of meeting EU standards will drive ACP suppliers out of the EU market (a development already well underway). This would be particularly the case if the evolution of EU trade policy led to a substantial reduction in the tariffs on beef applied to imports from the major non-ACP suppliers, a development which could take place either in a multilateral context through a Doha Agreement or a bilateral context through ongoing free-trade area (FTA) negotiations.

### 3.2 Ongoing product differentiation and innovation

Securing remunerative prices for beef exports to the EU will increasingly be about more effectively meeting end consumers' needs and expectations, on the basis of a clear understanding of the differentiated nature of the EU beef markets. While some ACP beef suppliers are actively pursuing strategies to get themselves closer to end consumers so as to better understand and meet their needs, others are struggling to stay ahead of developments. For these ACP beef producers, targeted programmes of assistance may well be needed. This is particularly the case for suppliers where domestic economic policies and circumstances are not currently conducive to the export of beef to the EU market.

Both EU production requirements and beef markets continue to evolve. In this context ACP exporters may need assistance at the level of market-information systems and technology transfer in order to stay ahead of the game. It may therefore be appropriate to use some of the cooperation commitments made in the context of the IEPAs to direct development-assistance financing in support of such activities. Certainly in the context of internal EU rural-development programmes, such public assistance, combining national and EU financial resources, are routinely deployed in support of product innovation, product differentiation and product marketing. In the context of a free-trade-area arrangement it would only appear appropriate for producers in the same sector to enjoy access to similar types of assistance regardless of where in the free-trade area production may be located. Indeed, this would appear to be essential in order to avoid any distortion of competition within the free-trade area.

### 3.3 Export-market diversification

Globally the structure of demand for beef is shifting, with higher consumption growth in emerging economies than in advanced developed-country economies. This suggests that in future new market opportunities for 'quality differentiated' beef are most likely to arise outside of the EU. However in order to access these markets tariff and non-tariff issues will need to be

addressed. While tariff issues can best be addressed in a multilateral or bilateral context, with regard to non-tariff issues there may be scope for EU-ACP cooperation, with ACP beef exporters ‘piggy-backing’ on EU efforts to resolve SPS and food-safety issues in major third-country markets for beef (e.g. South Korea). Specifically if ACP beef exporters could tap into the technical work being undertaken by the EU on beef-sector issues in the context of its market-access partnership initiatives targeting the market concerned, then this could facilitate their own work with regard to securing access to the third-country market in question.

Once again cooperation provisions included in the IEPAs could well be exploited to develop cooperation in this area. Complementary targeted ‘aid for trade’ support could also usefully be deployed under EU aid programmes, as part of intensified cooperation on food-safety, SPS, and animal-welfare issues internationally.

The shifting pattern of global beef demand and supply, alongside the increasing costs of serving the EU market and declining prices over time (relative to world market prices), means national and regional markets for ACP beef production will be of growing importance in the coming period. SPS and food-safety issues however play an important role in formal-sector regional trade in beef and livestock, with substantial external assistance being needed to get to grips with these issues. It is essential in this context that programmes for the harmonisation of regional standards be based on regional beef and livestock sector realities in line with international standards, rather than the external standards of the EU, the markets of which are likely to become of less-and-less relevance to the vast majority of ACP beef producers.

In terms of the development of regional markets for beef in the ACP, EU beef production will pose a diminishing threat. However, some EU beef traders may continue to play a role in a ‘triangular trade’ in low-quality, low-priced frozen beef to ACP markets, and consideration will need to be given to the design and implementation of IEPA provisions impacting on the beef trade and livestock-sector development policies in beef-producing regions of the ACP.

### 3.4 The possibility of losing preferential access

The prospects of losing duty-free, quota-free access for Namibian beef exports to the EU market needs to be seen in the context of wider EU-SACU relations. It needs to be borne in mind that by 2012 the EU will be party to a fully implemented free-trade-area agreement (the EU-South Africa TDCA), which, *de facto*, allows duty-free access for substantially all EU exports to the whole of the SACU market (including Namibia). Against this background the EU Council of Ministers would need to take an explicit decision to withdraw Namibia from the list of countries specified in annex 1 of the December 2007 EU Council regulation (1528/2007) as eligible for duty-free, quota-free access to the EU market, at a time when the EU was *de facto* beginning to enjoy full duty-free, quota-free access for substantially all EU exports to the territory of that country under a WTO-compatible free-trade agreement. To take such a course of action in the name of WTO-compatibility would appear to be a very difficult step for EU member state governments to take. This is particularly the case when the government of the country concerned has repeatedly reiterated its commitment to signing the IEPA, once outstanding issues on which broad agreement has already been reached have been formally incorporated into the agreed text to be signed.

## Information sources

### EU beef regime

EC overview page describing in summary form the EU beef regime  
[http://ec.europa.eu/agriculture/markets/beef/index\\_en.htm](http://ec.europa.eu/agriculture/markets/beef/index_en.htm)

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CTA was created in 1983 in the framework of the Lomé Convention between ACP (Africa, Caribbean, Pacific) and EU (European Union) countries. Since 2000, the Centre has been operating under the ACP-EU Cotonou Agreement. CTA's tasks are to develop and provide services that improve access to ever-changing information for agricultural and rural development, and to strengthen the capacity of ACP countries to produce, acquire, exchange and use information in this area.

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