

CIAA
Confederation des Industries Agro-Alimentaires de l'UE
Confederation of the food and drink industries of the EU

**CAP and the WTO:
Reform is essential to
ensure competitiveness**

By Dietrich OETZEL
CIAA Trade & Competitiveness
Committee

What is the CIAA?

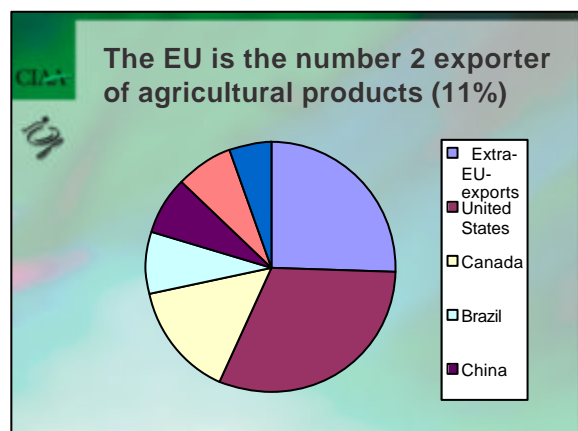
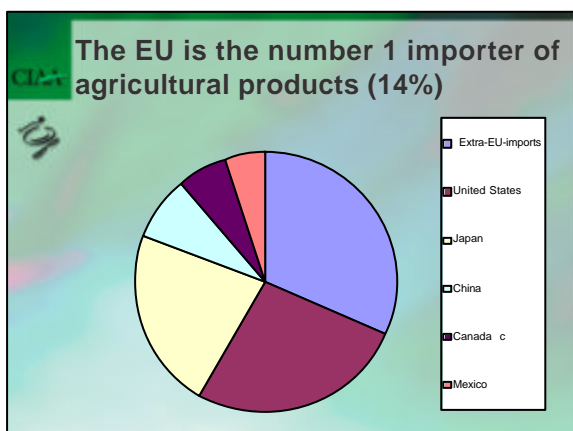
- The Confederation of the food and drink industries in the EU
- The Voice of
 - EU 15 and CEEC national industry federations
 - 34 European sector organisations
 - a Liaison Committee of 16 major food companies

The EU food industry in figures

- 1st industry with 600 billion € of production value (13% of EU industrial production)
- 26 000 companies (more than 70% of SME)
- 2.6 million employees (10% of jobs in EU industry)
- More than 70% of European agricultural output is used by EU Food and Drink companies

How are EU food products performing on world markets?

- 11% of world exports in agricultural & food products originate from the EU
- Increased demand for products with higher value added
- In 2001 exports of EU food products amounted to 45 billion €



Perspectives

- Certain sectors benefited from improved market access conditions (Marrakech agreement)
- Some sectors (dairy and meat products for example) suffered from export refunds restrictions
- Trade in processed food will increase on world markets.

→ Will the EU F&D industries benefit from these market expansions?

How does the CAP influence business and performance

- Guarantee of supply
- Disconnection from market
- Bias to competition
- Compensation for higher prices with export refunds

Prices in the EU and on representative third country markets

	EU	Third Countries/ world prices	Difference
Butter	300	115	261%
Whole milk Powder	259	130	199%
Sugar	690	210	329%
Frozen poultry meat	76	65	117%
Beef meat	120	90	133%
Maize	125	110	114%

FOB prices

% Share of costs in food sale's price

	UHT Milk	sugar	confect.
	%	%	%
Raw mat.	55	85	30-40
Packaging mat.	15		8-12
Other *	30	15	48-62

(other : production, advert., logistics, fixed costs; in case of sugar + packaging)

Factors eroding competitiveness of EU F & D industries

- Costs of legislation (high EU standards for labour, environmental protection, food safety, consumer protection, ...)
- Burdensome authorisations procedures for innovative products
- Costs of basic raw materials

Main challenges of WTO negotiations

- Keep coherence between three main chapters of negotiations
- No further cuttings in exports refunds without equivalent reductions of agricultural prices
- Absence of reform may weaken EU negotiation position

The Industry vision of further CAP reform

The Reform of the CAP should

- Increase market orientation, improve competitiveness and boost investments
- Take into consideration the supply needs of all food industry sectors
- Reinforce the EU negotiation position at the WTO
- Respond to consumers' demands for quality

→ **The debate on the CAP Reform should in no case be postponed**

Why is the reform necessary?

Increased competitiveness problems for the EU food and drink industries due to

- Conclusion of Doha Development Round by end 2004 and entry into force of WTO agreement on agriculture in 2006
- Specific market access measures aiming at developing countries such as "Everything but arms" decision and other tariff reduction for least developed countries

Conclusion

- EU Food companies, in particular SME, are concerned about their current and future competitive position
- International companies might be able to find other manufacturing areas than the EU to supply export markets
- Further reform of the CAP is key to reinforce competitiveness of EU food industries