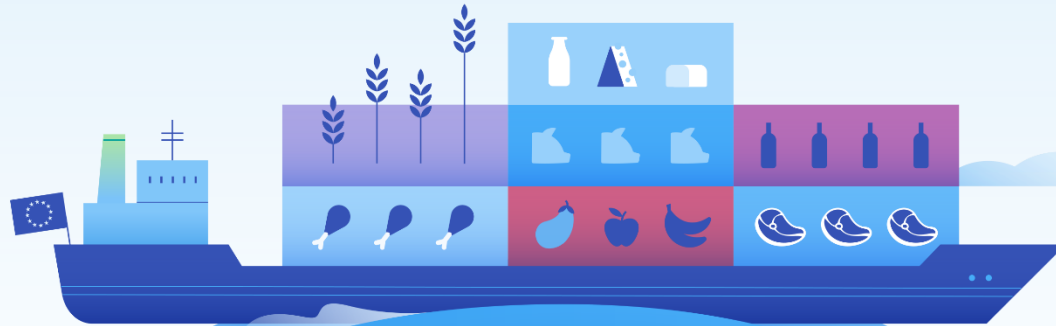




# Study on the cumulative economic impact of trade agreements on EU agriculture - 2024 update



CDG on Agricultural Markets – Rice

Friday 21 June 2024

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# Content of the presentation

1. Introduction to the study
2. Main impacts of the FTAs considered
3. Focus on the results for the rice sector

# What is the study about?

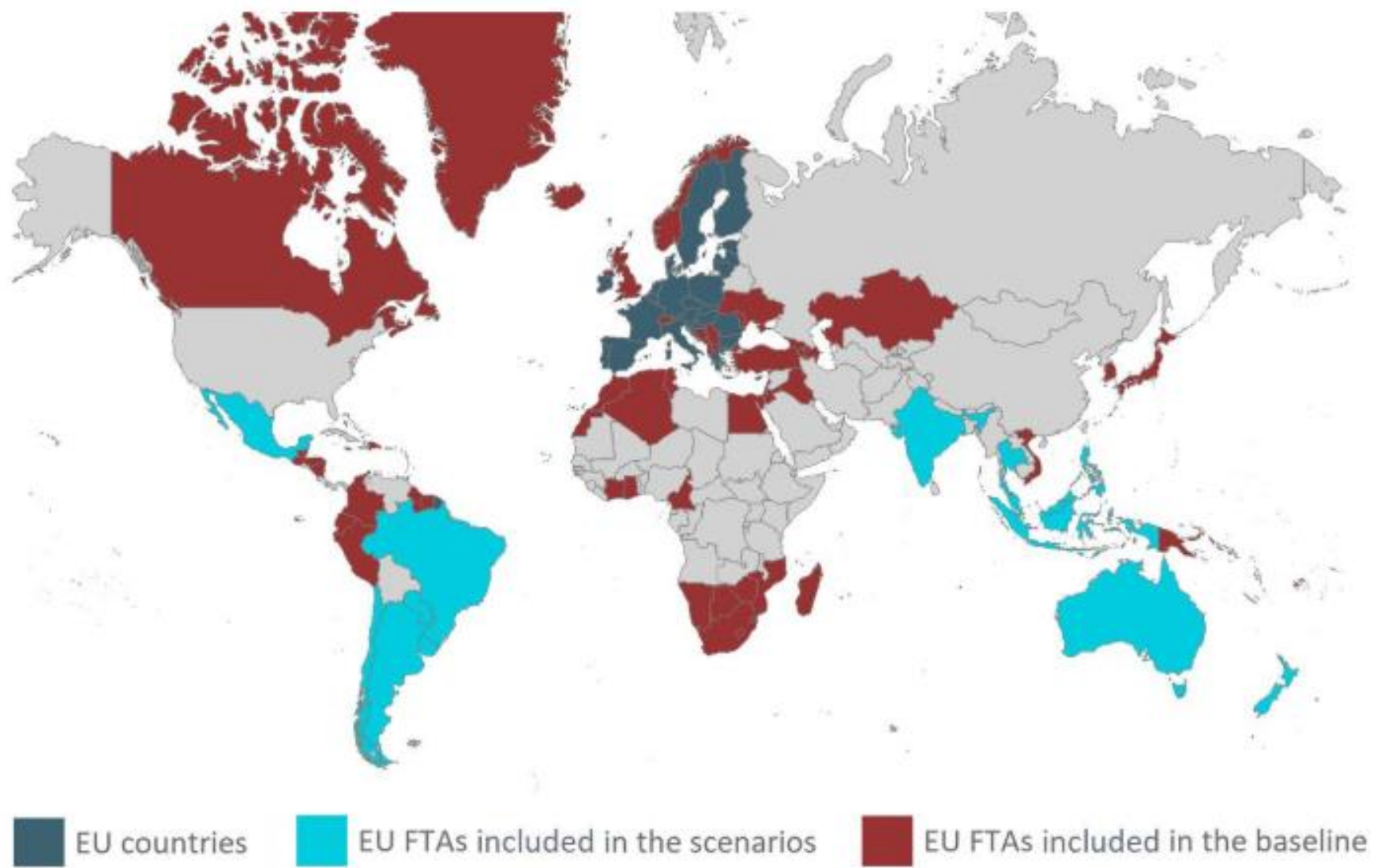
Ex-ante economic analysis of 10 of the most significant upcoming Free Trade Agreements (FTAs) on EU agri-food markets. The study includes:

- FTAs recently finalized or already in place: Chile, Mexico, Mercosur, **New Zealand**
- FTAs under negotiation or forthcoming (with high certainty): *Australia, **India**, Indonesia, Malaysia, Philippines, Thailand*
- Note: Canada, Japan and Vietnam are included in the baseline.

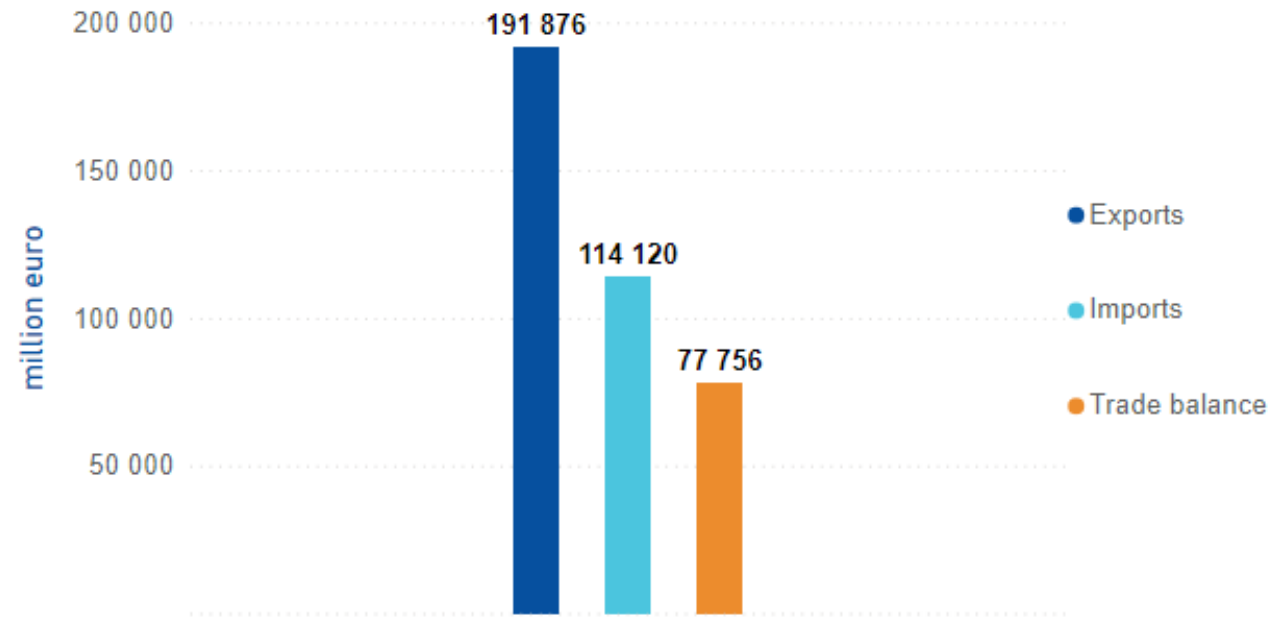
Compare agricultural market prospects for year 2032 with and without these FTAs.

Update of the 2021 study (similar assumptions and methodology, including TRQs):  
(<https://publications.jrc.ec.europa.eu/repository/handle/JRC103602>),

**What is new?** Sensitivity analysis on the impact of UK trade agenda (Australia, New Zealand, Comprehensive and Progressive Agreement for Trans-Pacific Partnership or CPTPP).

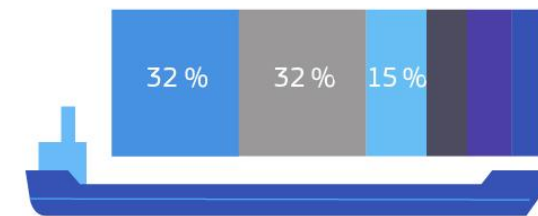
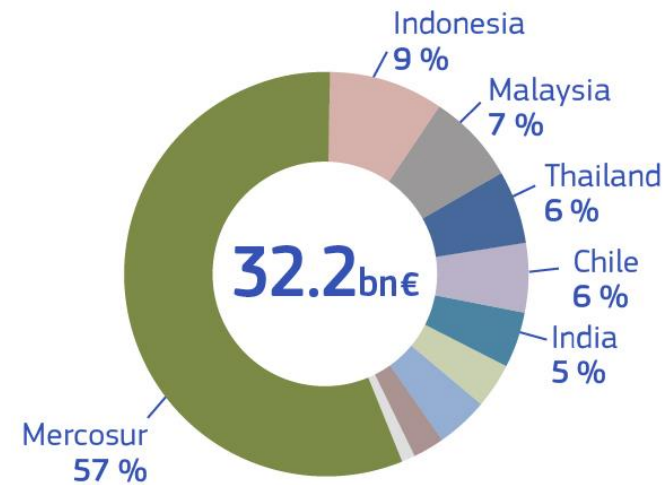


# Baseline trade projections, 2032

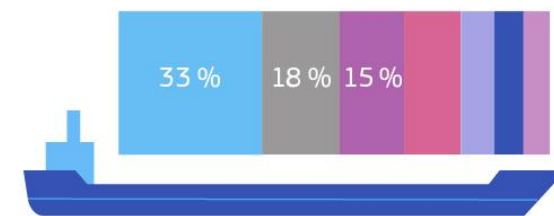
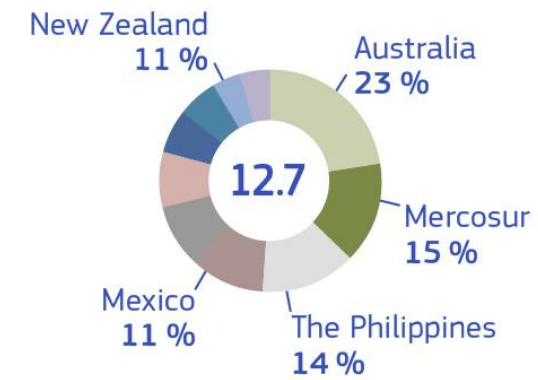


## Agri-food trade 2032 with the 10 FTA partners (baseline)

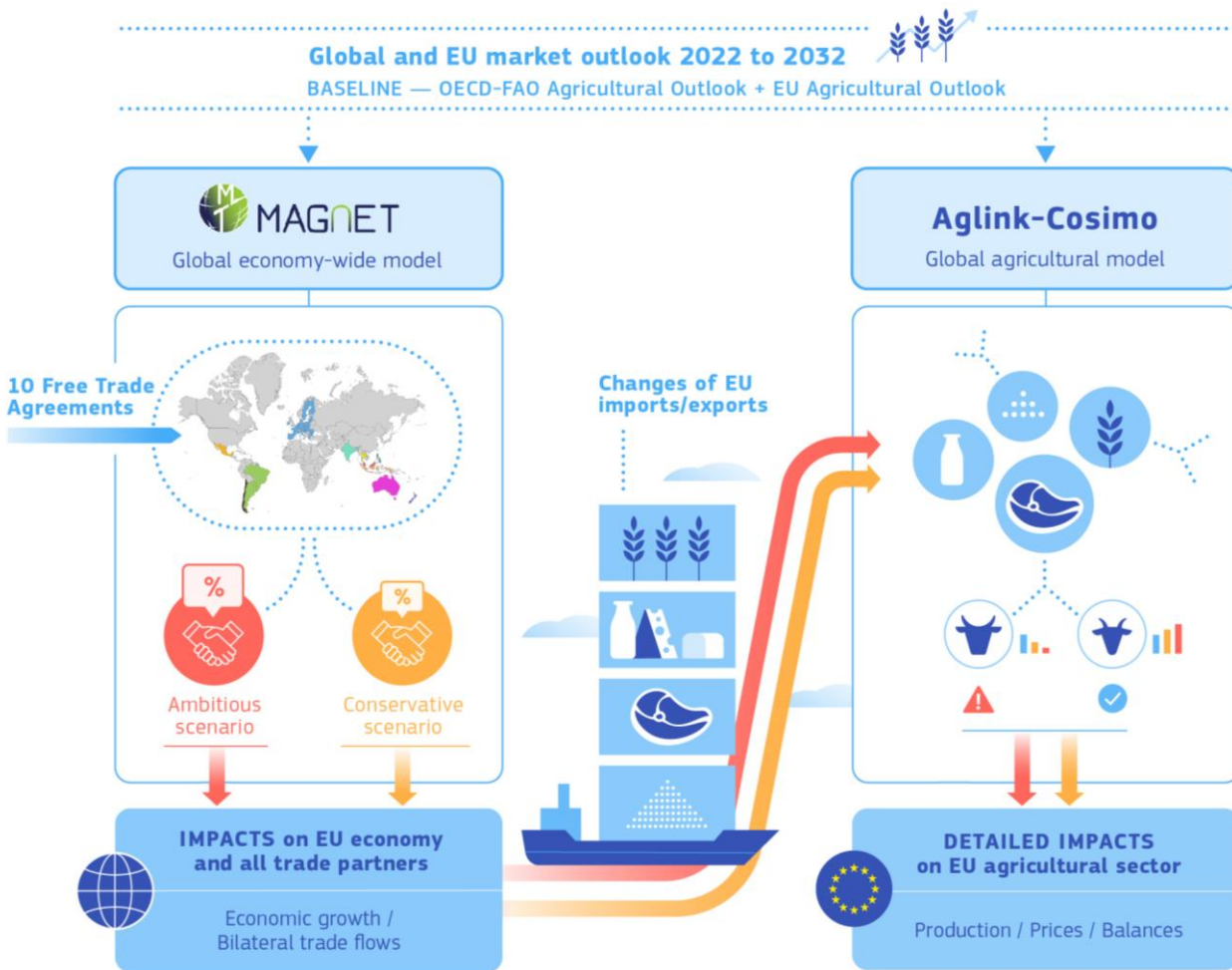
### EU IMPORTS 2032



### EU EXPORTS 2032



# The study uses 2 economic models to quantify the potential impacts on EU agri-food markets



- **MAGNET:** global, GTAP-based CGE model (full disaggregation of agri-food sectors).
- **Aglink-Cosimo:** PE (detailed) model of the global agri-food sectors

# Model linkages

MAGNET	Aglink-Cosimo
Wheat	Soft wheat
	Durum wheat
Grains	Barley
	Maize
	Oats
	Rye
	Other cereals
	Rice
Paddy rice	Soybean
Processed rice	Rapeseed
Oilseeds	Rapeseed meal
	Soybean meal
	Sunflower meal
	Rapeseed oil
Oils and meals	Sunflower oil
	Palm oil
Sugar beet and sugar cane	Not modelled at trade level
Sugar	White sugar
	Raw sugar
Fruit and nuts	Not modelled
Vegetables	Not modelled
Other crops*	Not modelled
Live animals (cattle)	Cattle
Live animals (sheep, goats, etc.)	Sheep
Beef and veal	Beef and veal
Sheep (and other red) meat	Sheep and goat meat
Live pigs and other animal products**	Swine
Live animals (chickens)	Poultry
Pigmeat	Pigmeat
Poultry meat	Poultry meat
Raw milk	Not modelled at trade level
Dairy	Butter
	Cheese
	Skimmed milk powder
	Whole milk powder
	Whey powder
Other food	Not modelled
Beverages and tobacco	Not modelled

The models are ‘soft linked,’ to ensure meaningful exchange of results:

- MAGNET baseline calibrated to the EU medium-term agricultural outlook (EC, 2022).
- MAGNET calculates the cumulative changes in EU exports and imports of FTAs (tariff shocks and TRQs).
- Changes in volumes implemented as relative shocks on EU export and import volumes in Aglink-Cosimo.



# The study assumes two trade policy scenarios – conservative and ambitious

## 1. Conservative:

- Concluded agreements: as per negotiated outcome (tariff cuts + TRQs)
- Other agreements:  
**97%** of tariff lines fully liberalised; other (sensitive) lines get a **25% tariff cut**

## 2. Ambitious:

- Concluded agreements: same as for conservative
- Other agreements:  
**98.5%** of tariff lines fully liberalised; other (sensitive) lines get a **50% tariff cut**

### Trade policy scenarios

#### CONSERVATIVE SCENARIO

97%

Full tariff liberalization

-25%



Tariff cuts for sensitive lines

#### AMBITIOUS SCENARIO

98.5%

Full tariff liberalization

-50%



Tariff cuts for sensitive lines



Considered in the analysis:



COVID-19  
impact



UK trade  
agreements



Russia's invasion  
of Ukraine

→ Note: concluded FTAs are modelled as per negotiated outcome; not concluded agreements are modelled with theoretical tariff cuts.



# Treatment of sensitive products

- Sensitive products do not necessarily have to be agricultural or agri-food products.
- The list of sensitive products for each agreement and trading partner has been established based on two criteria applied in the following priority order:
  - expert judgement based on the evidence of ongoing negotiations with trading partners or on analyses carried out prior to the launch of the negotiations;
  - objective statistical indicators, notably the tariff revenue associated with each tariff line
- **Rice** is, in general, considered a sensitive product in the EU => 25/50% import tariff cut in the scenarios

# Tariff shocks

## All partners

	Exports			Imports		
	Baseline scenario	Conservative scenario	Ambitious scenario	Baseline scenario	Conservative scenario	Ambitious scenario
Wheat	12.43	12.41	12.41	0.00	0.00	0.00
Other cereals	7.61	7.58	7.58	0.23	0.17	0.17
Fruit	4.05	3.71	3.69	3.64	2.91	2.88
Vegetables	5.15	5.07	5.04	3.87	3.70	3.64
Oilseeds	2.57	2.50	2.50	0.00	0.00	0.00
Other crops	3.06	2.78	2.74	0.18	0.13	0.12
Beef	4.63	4.56	4.50	29.35	23.34	22.84
Poultry meat	5.04	4.92	4.87	10.14	7.26	6.60
Sheep meat	6.60	5.78	5.78	1.99	0.95	0.82
Pigmeat	5.54	5.19	4.92	1.63	1.37	1.28
Oils and meals	6.23	4.54	4.54	2.46	1.67	1.31
Dairy products	6.99	6.53	6.43	5.91	4.03	3.85
Processed rice	2.02	1.87	1.87	8.95	7.53	6.14
Sugar	6.69	6.33	6.32	15.29	13.93	13.76
Other food	6.93	6.32	6.25	3.74	2.74	2.38
Beverages and tobacco	10.79	10.27	9.91	2.77	1.90	1.79

10

## FTA partners

	Exports			Imports		
	Baseline scenario	Conservative scenario	Ambitious scenario	Baseline scenario	Conservative scenario	Ambitious scenario
Wheat	2.55	0.16	0.16	0	0	0
Other cereals	3.08	0.25	0.17	0.61	0.01	0
Fruit	10.37	1.12	0.73	4.56	0.72	0.54
Vegetables	4.51	2.21	1.63	3.02	1.31	0.76
Oilseeds	3.39	0.07	0.07	0	0	0
Other crops	7.82	1.58	0.78	0.24	0.02	0.01
Beef	9.83	4.52	0	43.42	33.86	33.06
Poultry meat	17.73	10.45	6.93	13.88	9.53	8.53
Sheep meat	5.79	0	0	3.21	1.42	1.18
Pigmeat	10.71	6.06	2.4	7.9	4.24	2.95
Oils and meals	7.83	0.18	0.18	2.71	1.64	1.15
Dairy products	7.94	2.3	1.09	43.25	20.38	18.19
Processed rice	5.06	0.49	0.57	12.61	9.61	6.66
Sugar	7.98	2.38	2.12	28.74	18.61	17.35
Other food	9.28	1.7	0.87	8.34	3.59	1.91
Beverages and tobacco	19.21	10.01	3.77	5.51	1.16	0.59



# Results

## Cumulative impact on EU trade in 2032 (additional value)

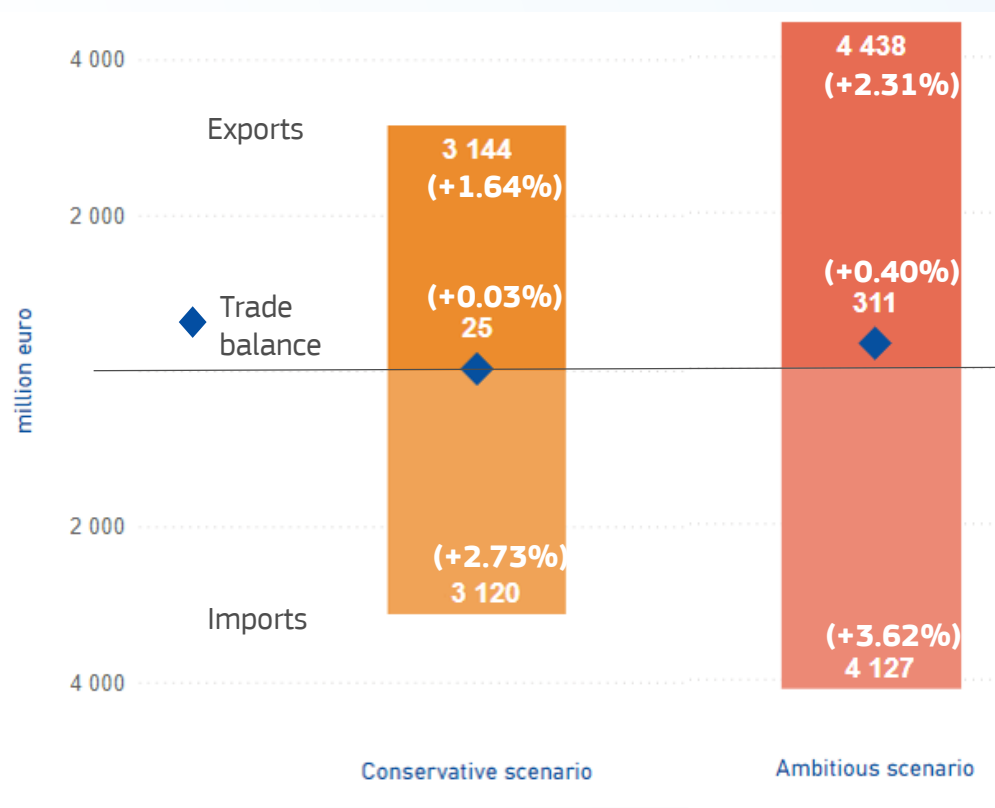


- The 10 FTAs increase net exports of the EU agri-food sector but the magnitude depends on the scenario
- Important sectoral differences

# Overall trade impacts, 2032

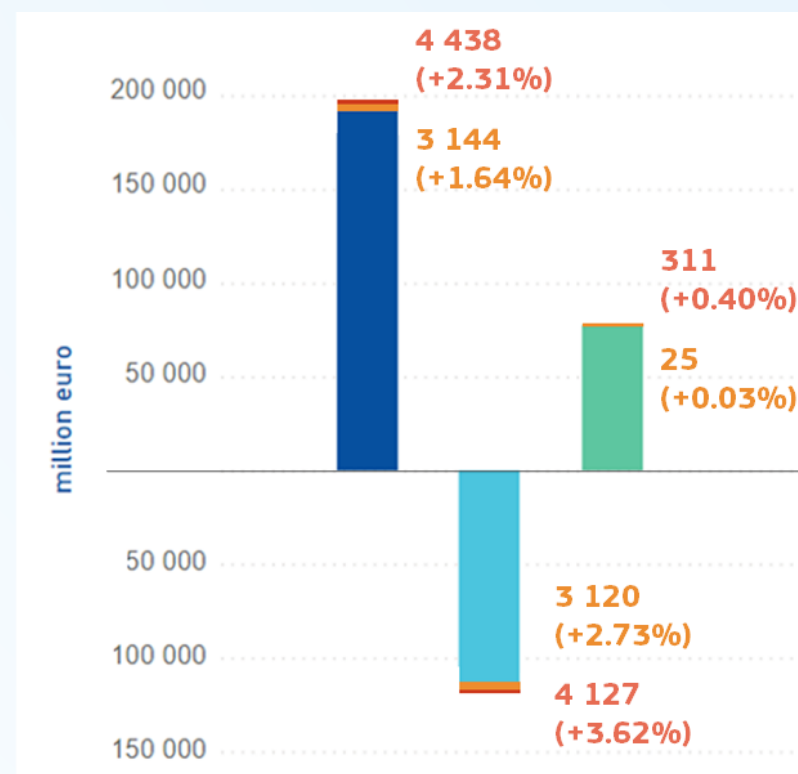
## Change in EU agri-food trade value

Trade scenarios compared to the baseline, 2032

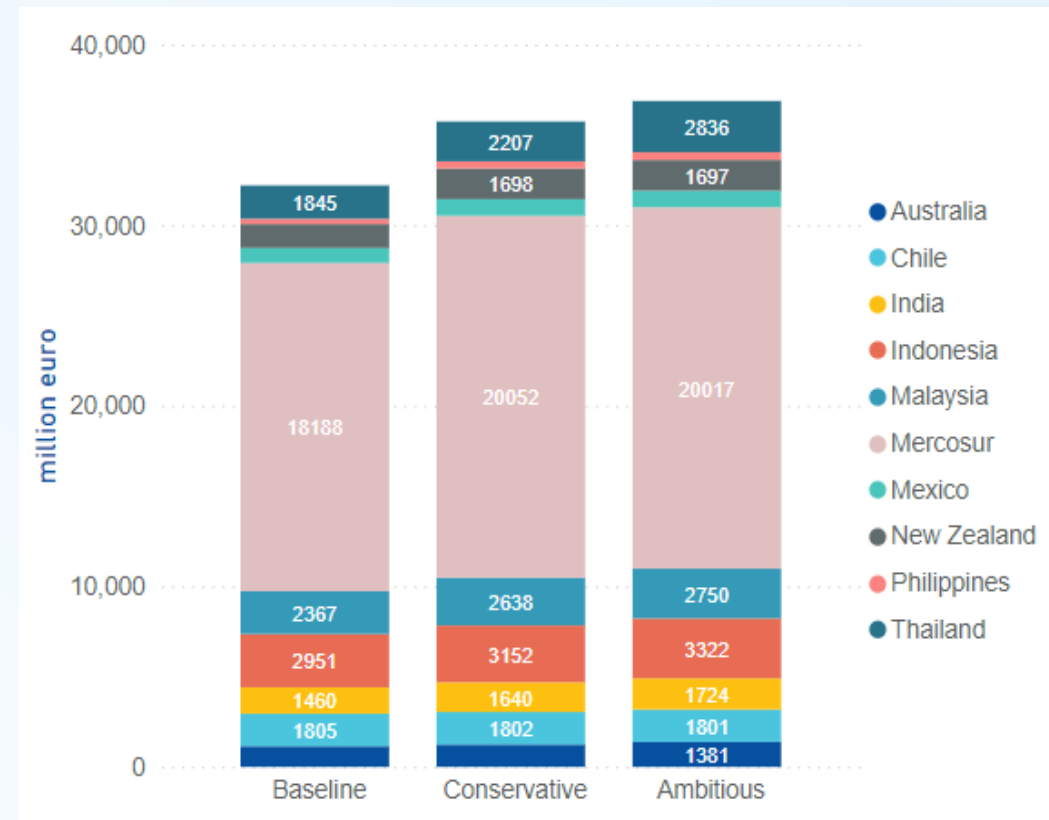
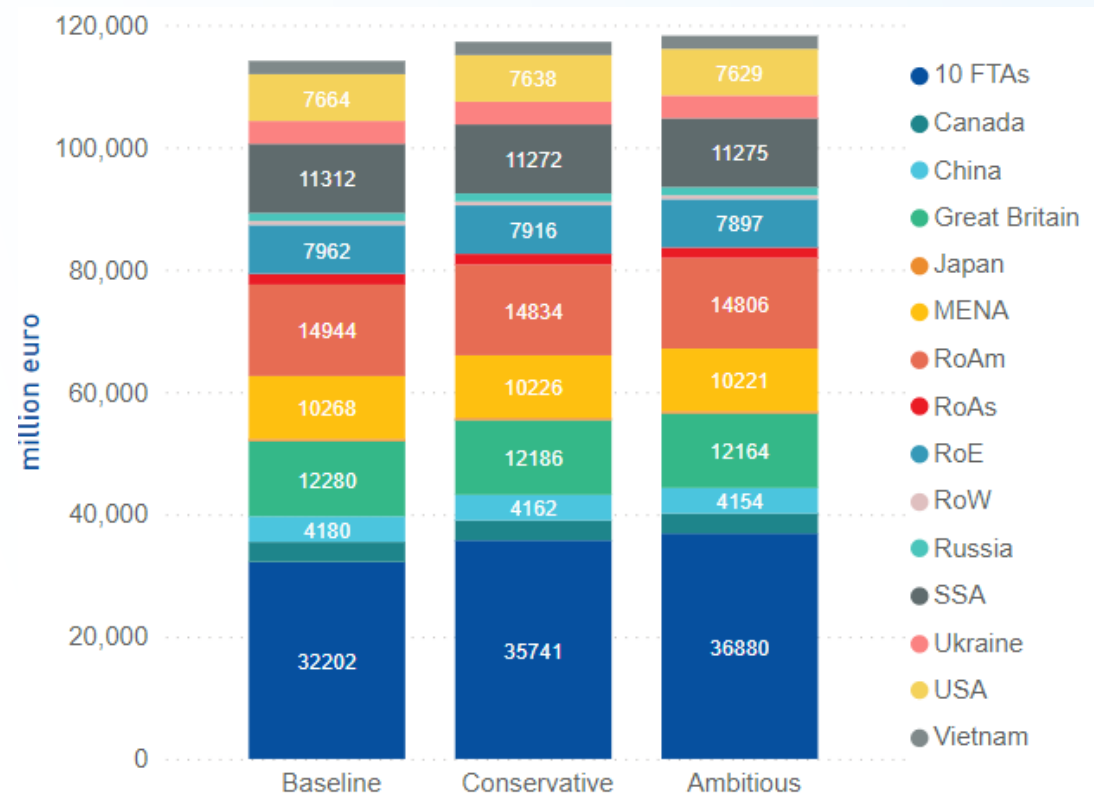


## EU agri-food trade value

Additional trade flows in the scenarios on top of the baseline, 2032

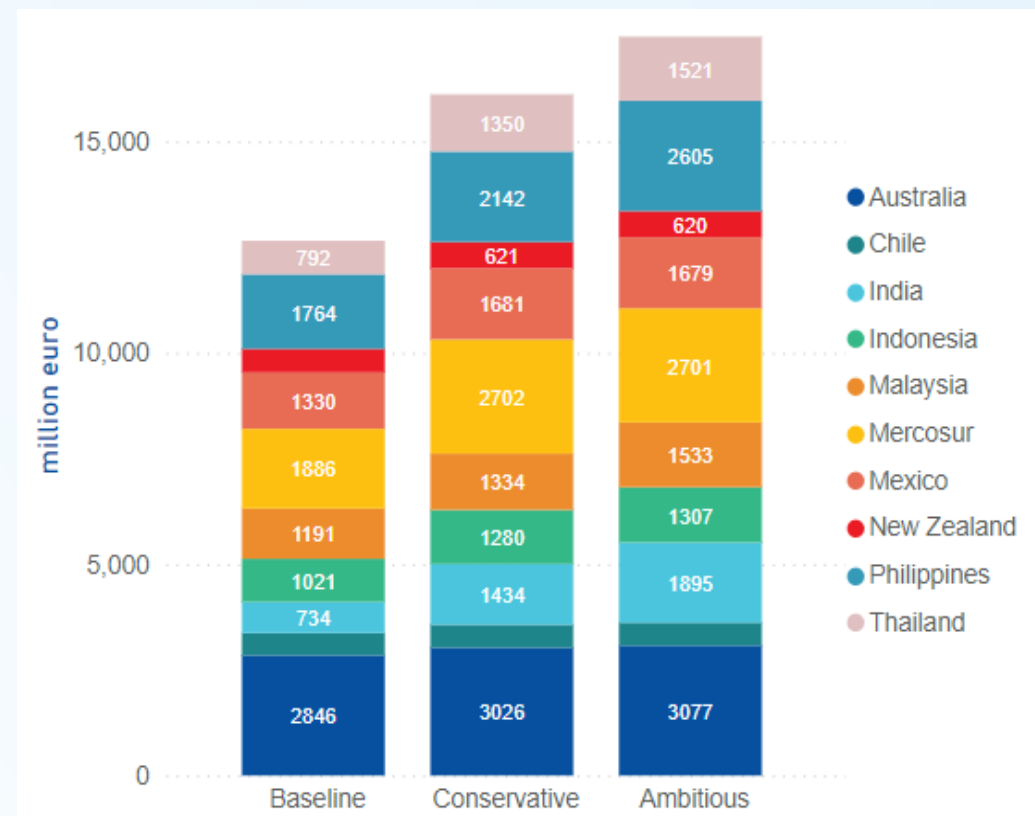
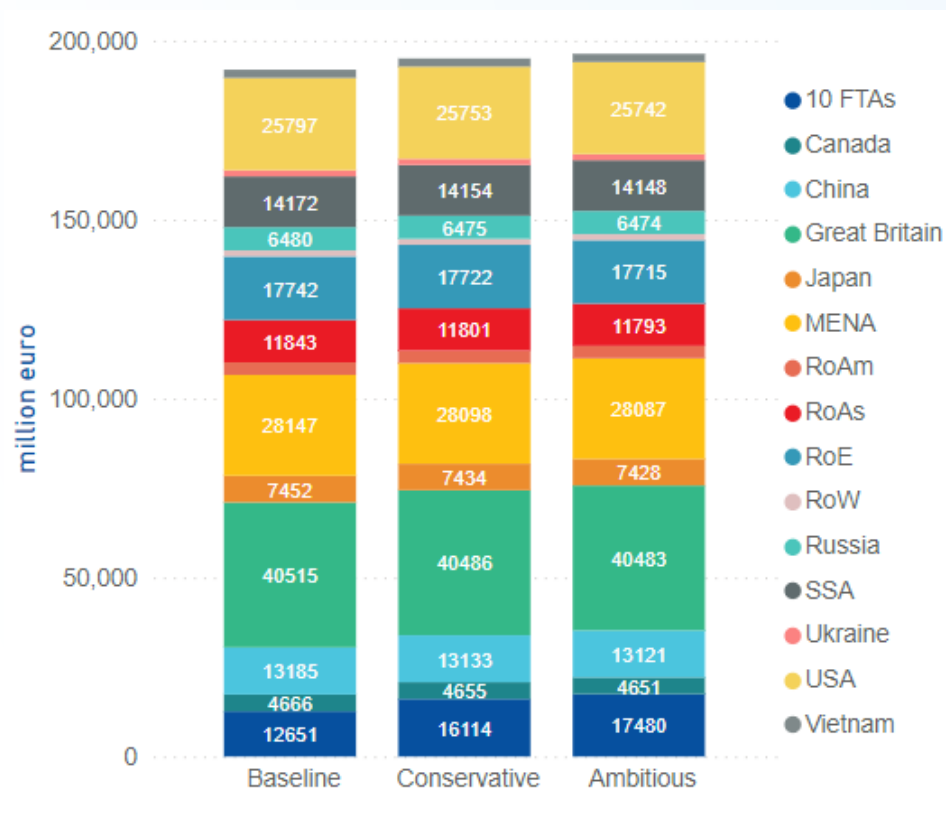


# EU agri-food imports by trading partner, 2032

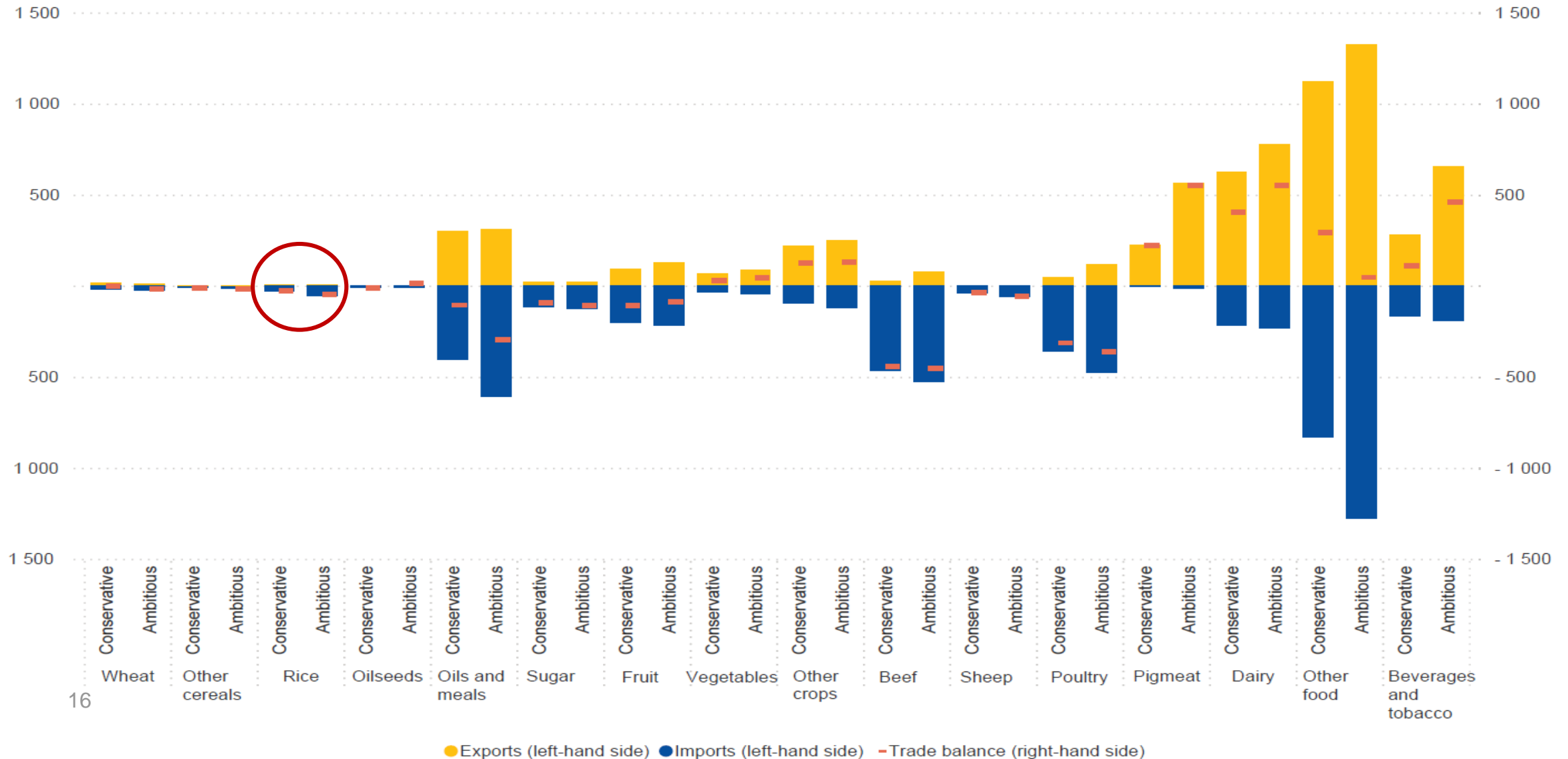




# EU agri-food exports by trading partner, 2032

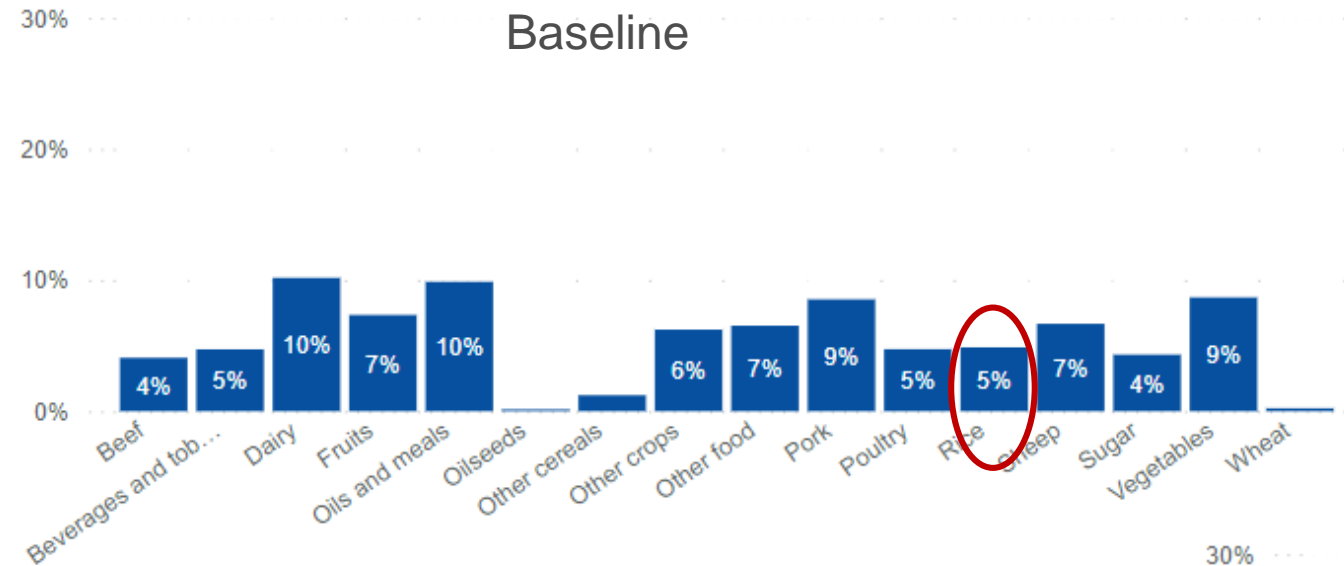


# Changes in EU trade value of agri-food products by commodities and scenario (2032, million EUR)

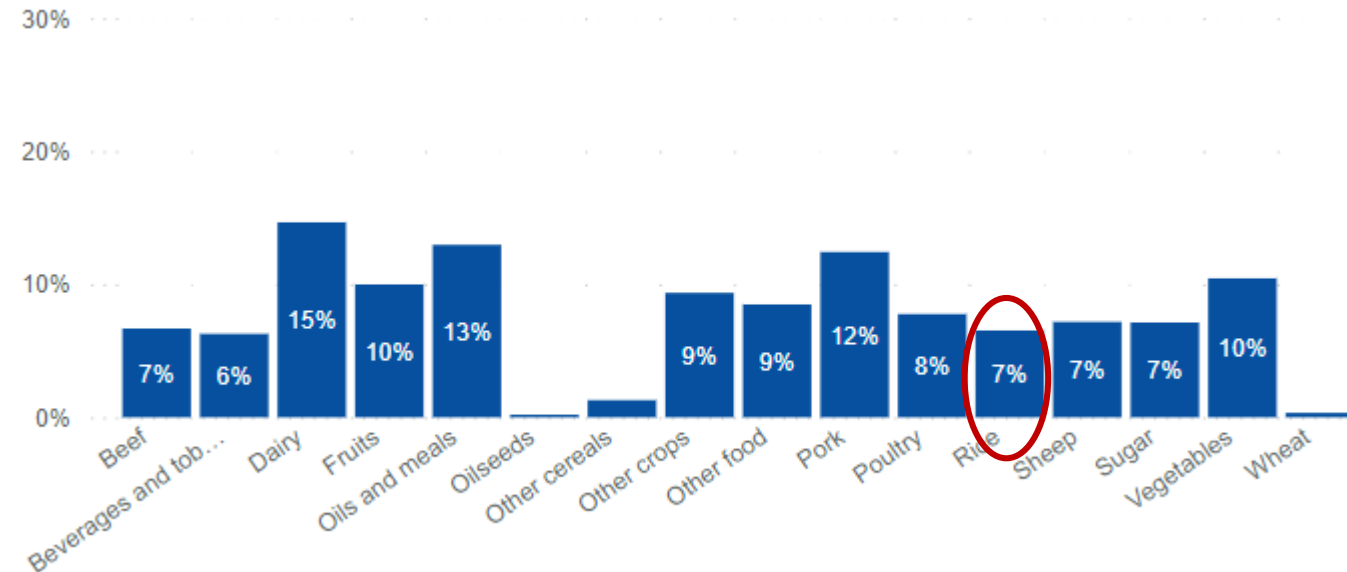


# Contribution of the 10 FTA partners to EU exports by commodities, 2032

Baseline

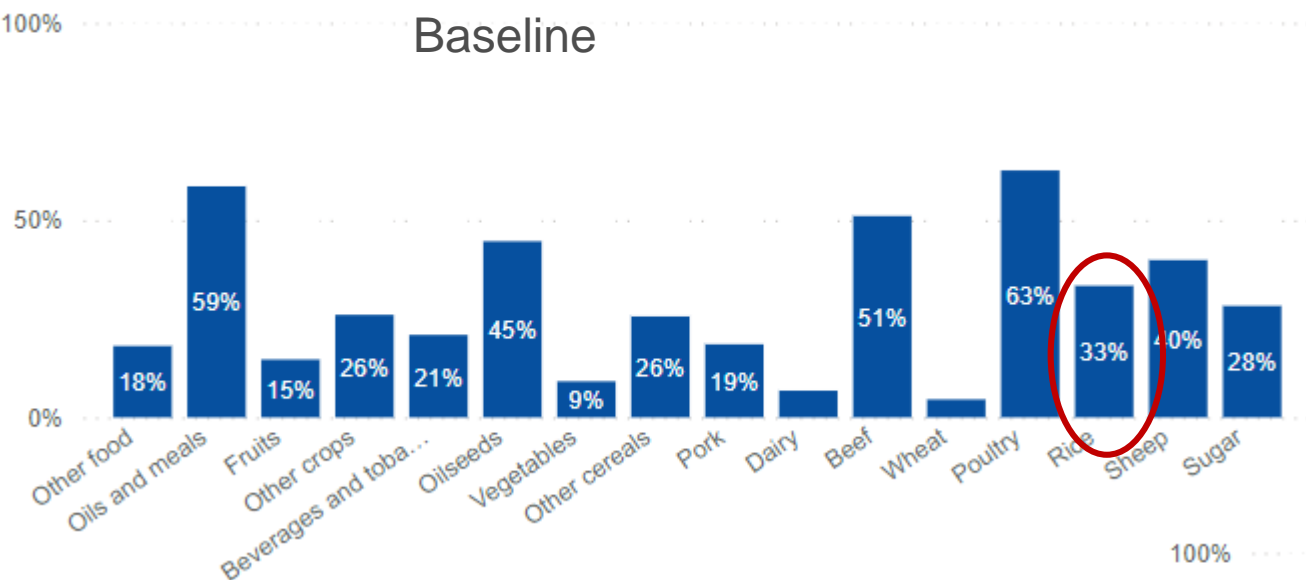


Ambitious Scenario

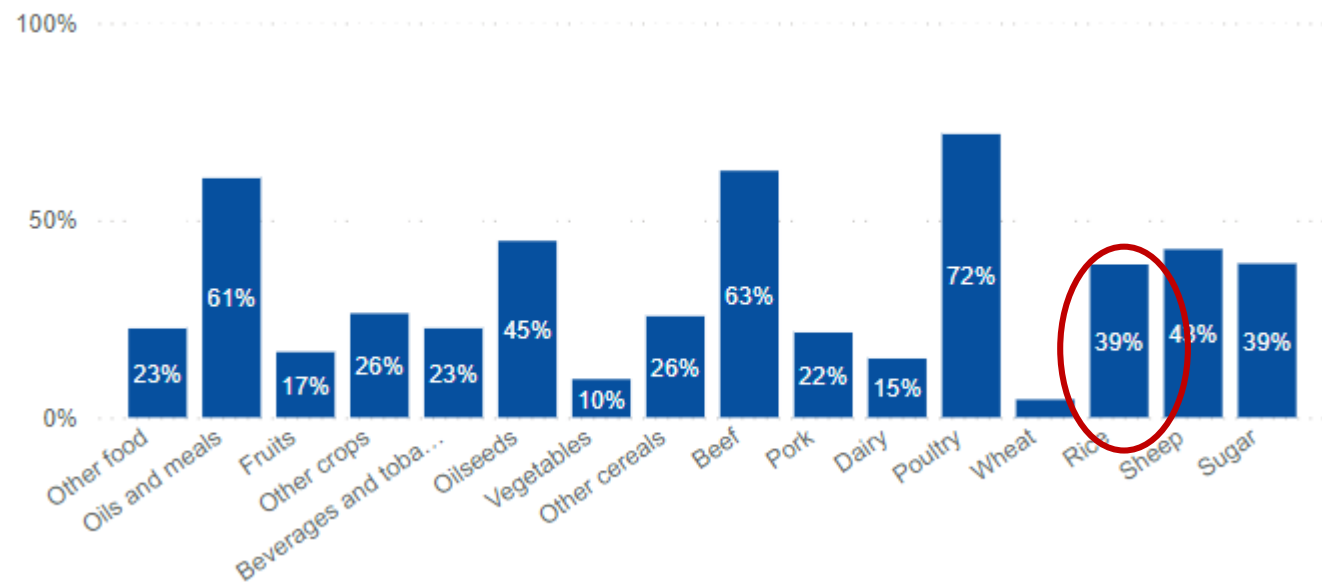


# Contribution of the 10 FTA partners to EU imports by commodities, 2032

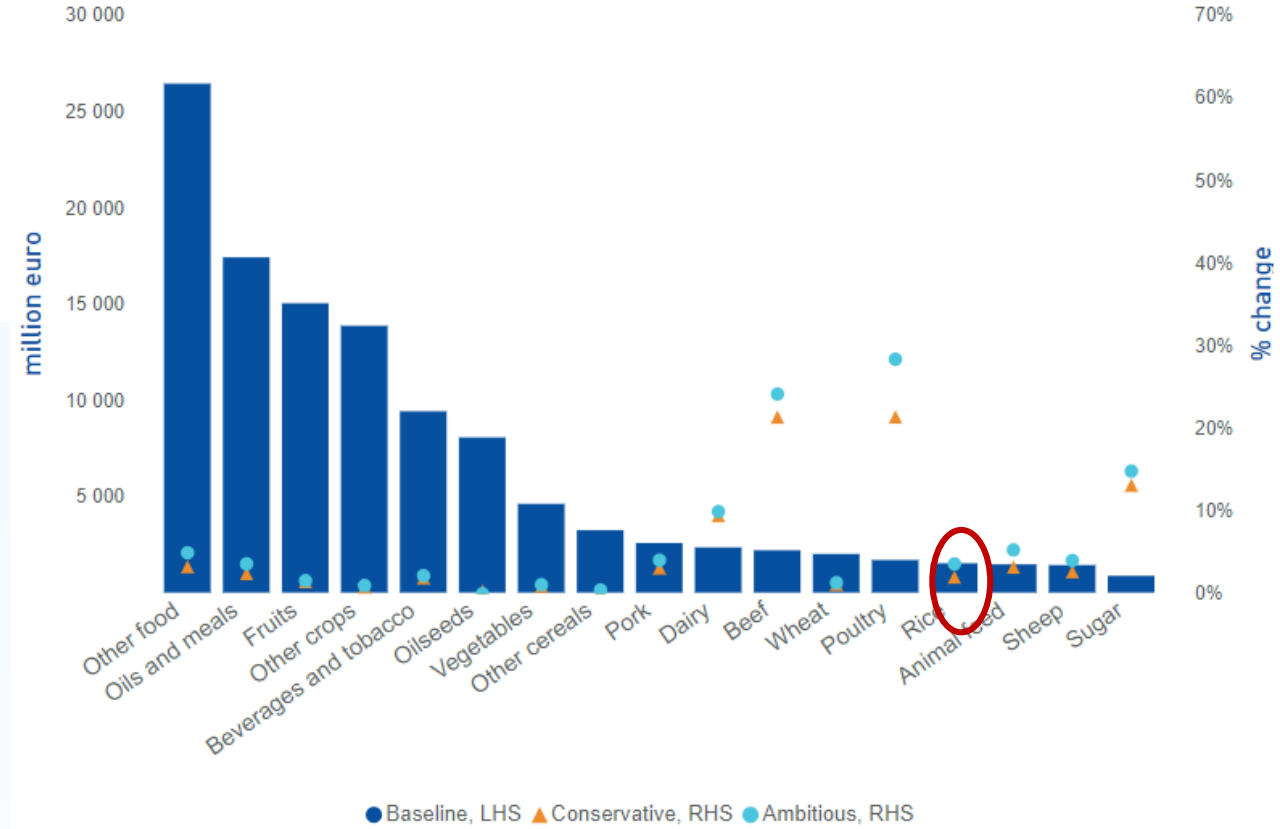
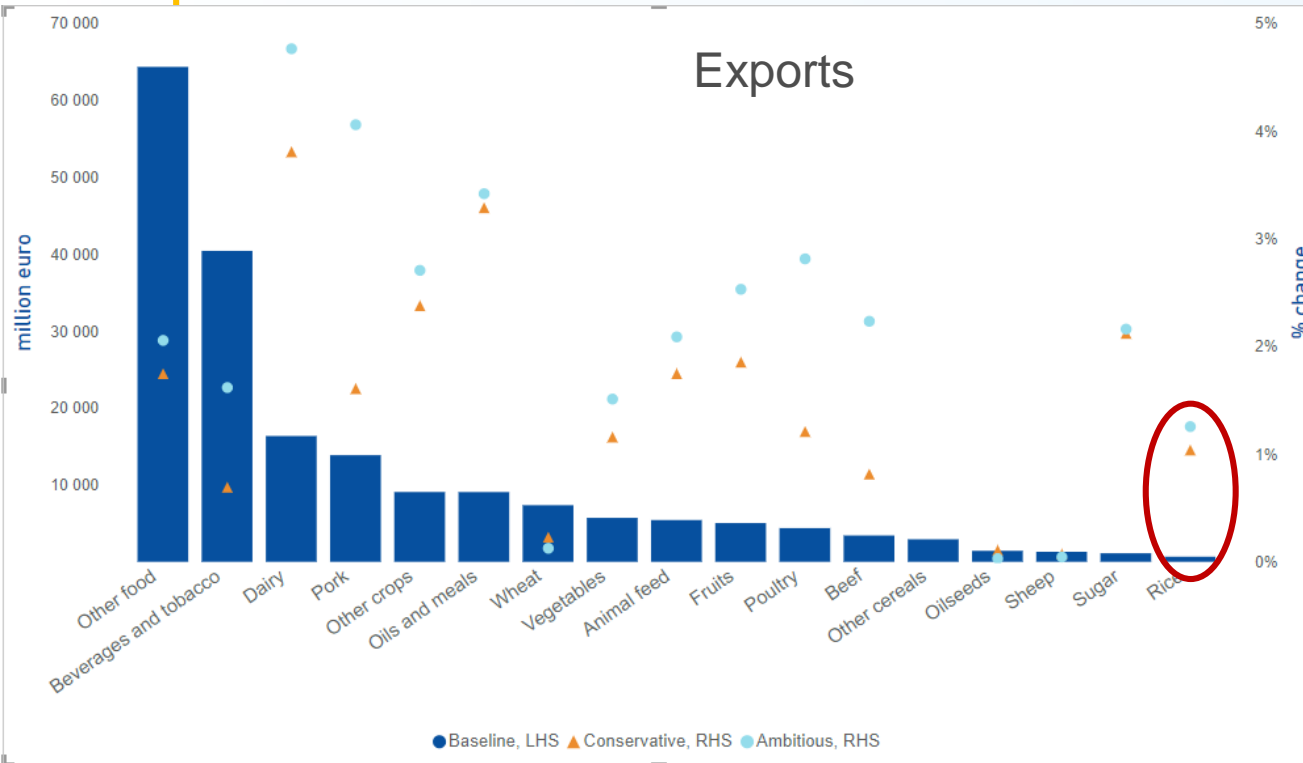
Baseline



Ambitious Scenario



# Development of EU exports and imports, 2032



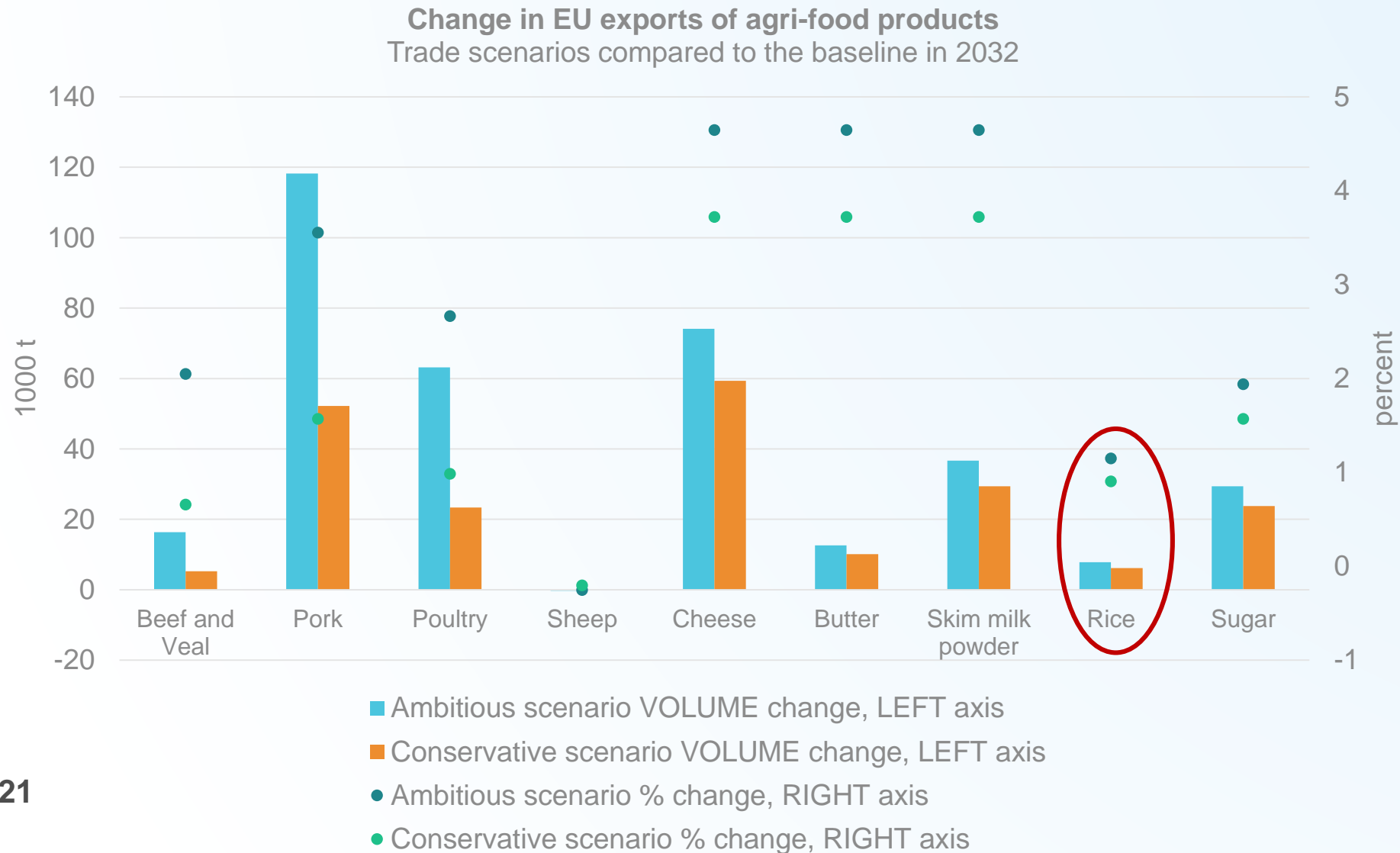
# EU imports and exports of rice and trade balance, by FTA partner and scenario (2032, million EUR)

	Imports			Exports			Balance		
	Baseline scenario	Conservative scenario	Ambitious scenario	Baseline scenario	Conservative scenario	Ambitious scenario	Baseline scenario	Conservative scenario	Ambitious scenario
AU	0.2	0.2	0.3	15.5	15.4	15.4	15.3	15.2	15.1
CL	0.0	0.0	0.0	0.6	0.6	0.6	0.6	0.6	0.6
ID	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2	0.2
IN	147.8	162.4	176.6	2.4	3.1	3.2	- 145.4	- 159.3	- 173.4
Mercosur	152.7	150.1	145.8	9.2	15.2	15.2	- 143.5	- 134.9	- 130.6
MX	0.0	0.0	0.0	0.6	0.6	0.6	0.6	0.6	0.6
MY	1.9	2.2	2.6	0.4	1.8	0.7	- 1.5	- 0.4	- 1.9
NZ	0.4	1.0	1.0	1.5	1.5	1.5	1.1	0.5	0.5
PH	0.0	0.0	0.0	0.9	1.3	2.1	0.9	1.3	2.1
TH	206.3	242.7	283.9	0.2	0.3	0.4	- 206.1	- 242.4	- 283.5
10 FTA partners	509.3	558.6	610.2	31.5	40.0	39.9	- 477.8	- 518.6	- 570.3
Other countries	1 007.8	987	959.2	576.5	572	573.4	- 431.3	- 415.0	- 385.8
<b>Total</b>	<b>1 517.1</b>	<b>1 545.6</b>	<b>1 569.4</b>	<b>608.0</b>	<b>612.0</b>	<b>613.3</b>	<b>- 909.1</b>	<b>- 933.6</b>	<b>- 956.1</b>

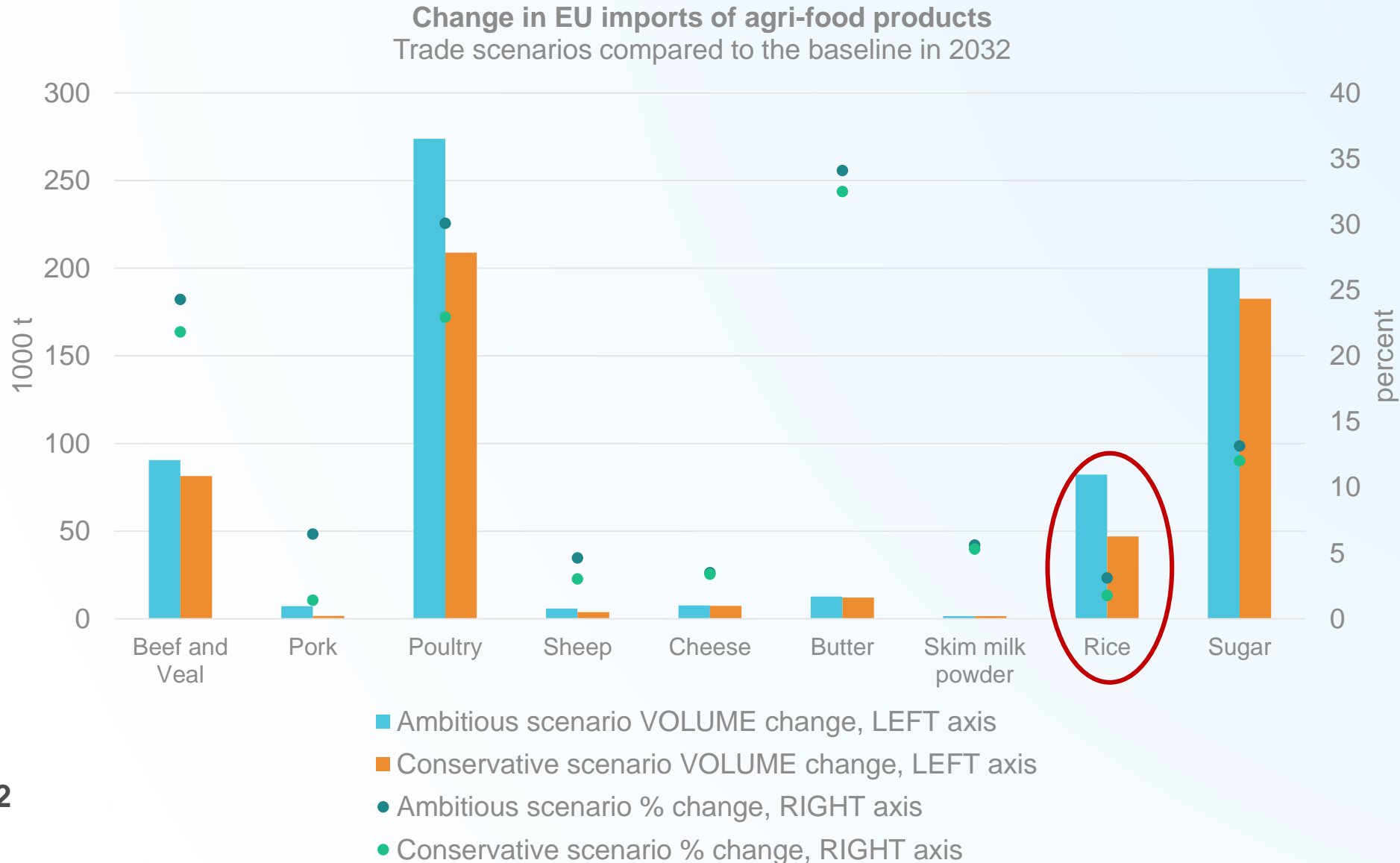
Source: Authors' calculations, based on MAGNET results.



# EU exports increase in both scenarios

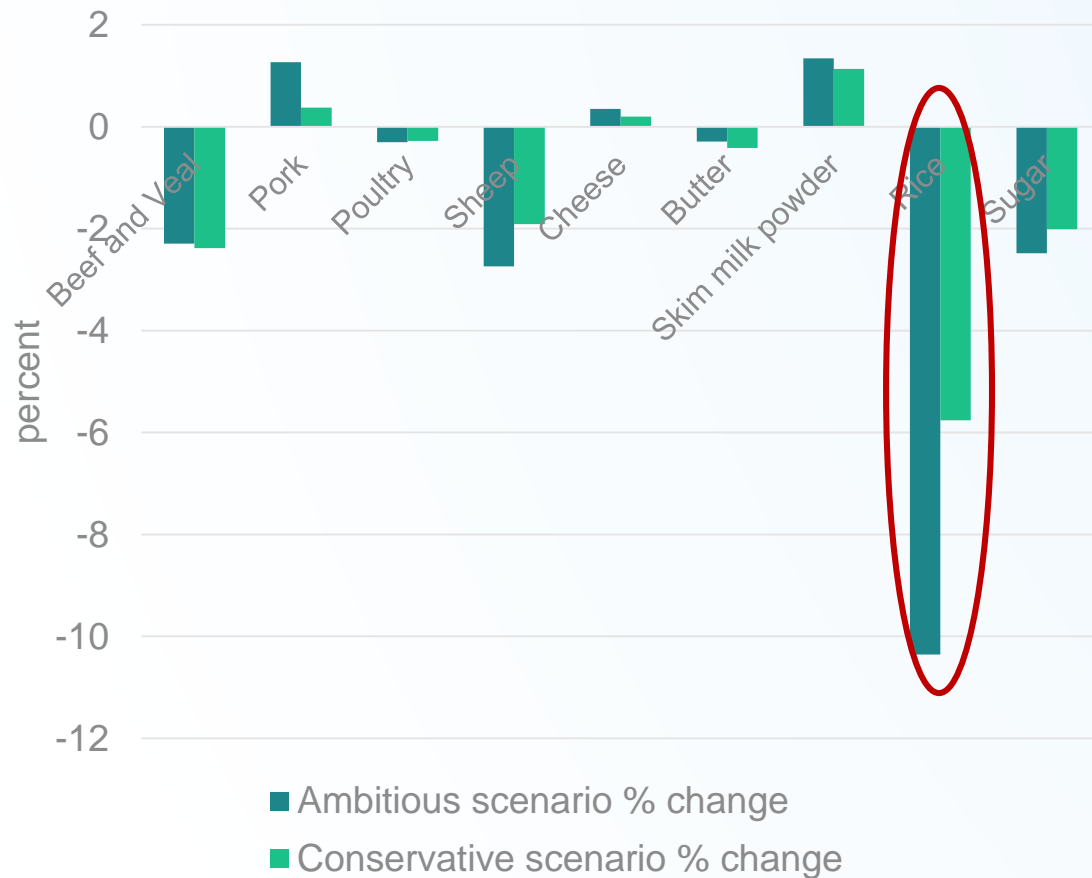


# Same as export, EU imports are also expected to increase in 2032

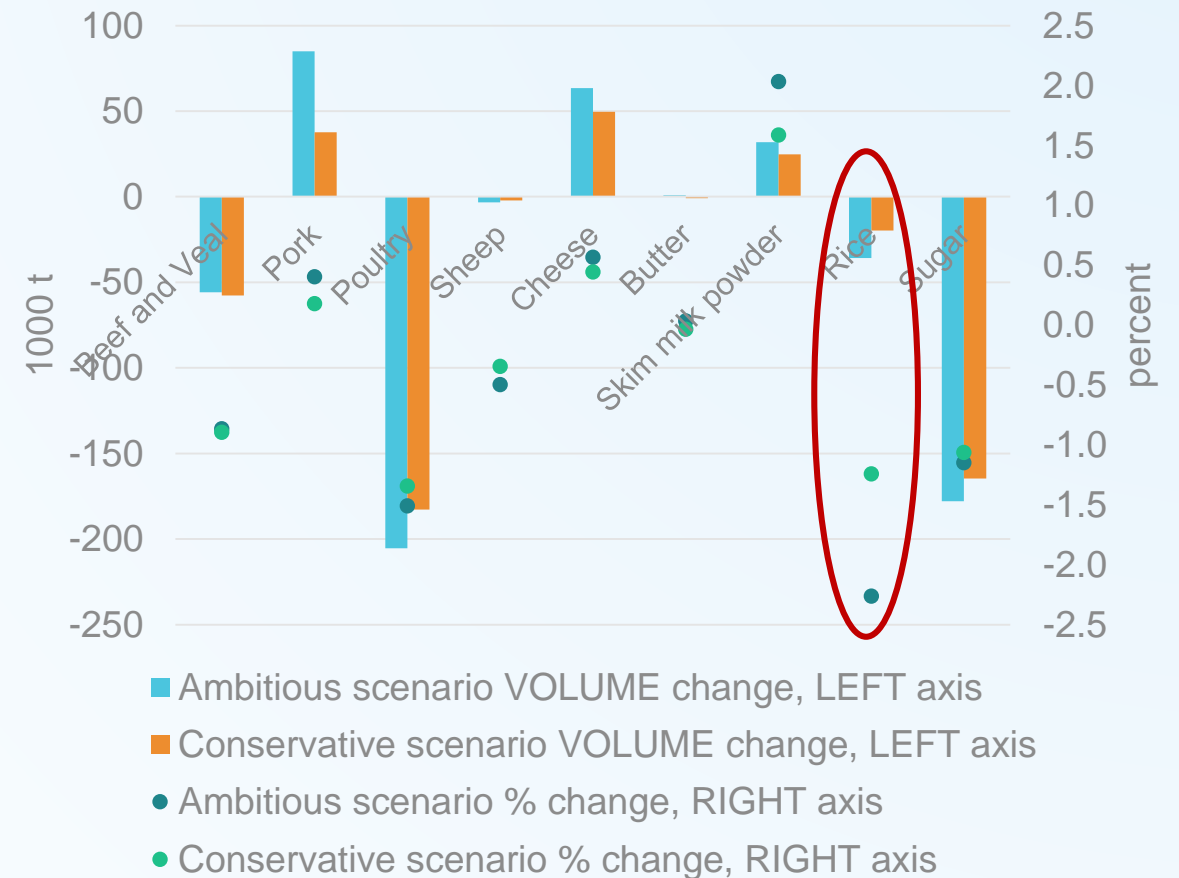


# EU producer prices and production

Change in EU prices of agri-food products  
Trade scenarios compared to the baseline in 2032



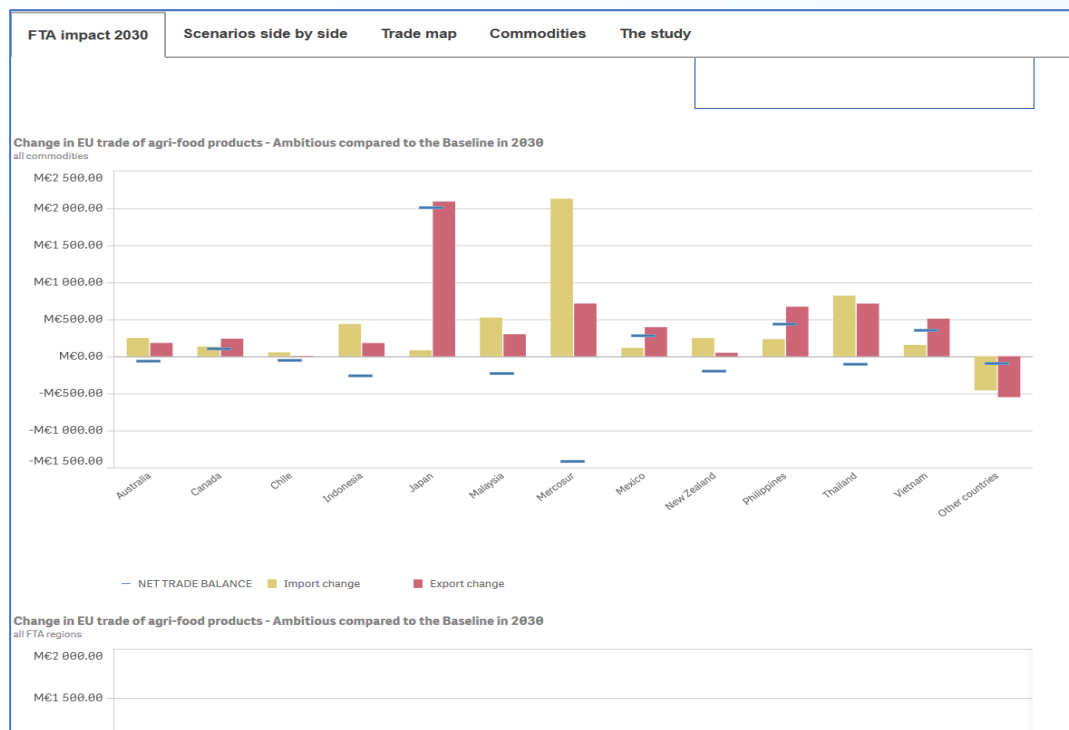
Change in EU production of agri-food products  
Trade scenarios compared to the baseline in 2032



# EU rice market impacts summarized

- **Tariff shock:** 25/50% reduction in the EU tariff on processed rice
- **Trade impacts:** ~1% higher EU exports, 2/3% higher imports (47/82 Kt)
- **Domestic market impacts:** 6/10% lower producer prices, 1/2% lower production
- Why such a large price impact?
  - **Homogenous goods** in the model (no differentiation between varieties)
  - **High import-dependency ratio**, with consumption twice as high as production. (Although EU is self-sufficient in japonica rice)
  - **Inelastic demand** (price elasticity of demand  $\sim -0.1$ )

# Further results on DataM



[https://datam.jrc.ec.europa.eu/datam/mashup/FTA\\_2024](https://datam.jrc.ec.europa.eu/datam/mashup/FTA_2024)



## Conclusions



# Conclusions

As in the previous study, results confirms that the EU agrifood sector can benefit from trade liberalization.

Results justify the approach taken by the Commission for the agricultural chapters in trade negotiations.

TRQs are an appropriate tool to balance market access for sensitive products while limiting negative impacts on the sector concerned.

Key offensive FTAs (Japan and Canada) now in baseline so results look less positive than in 2021.

UK trade agenda (very limited) negative impacts on EU exports.

# Main caveats ...

- Future EU-Ukraine relationship not reflected.
- Green Deal / Farm to Fork / Biodiversity Strategy not implemented.
- No analysis of non-tariff trade barriers (e.g., NTMs, sanitary and phytosanitary measures) nor impact of protecting Geographical Indications.
- EU aggregated results, not considering national or regional disaggregation.
- Detailed impact for only the main agricultural sectors.

## ... future research

- Sustainability aspects of FTA (land use and change, water, jobs, ...).
- More detailed analysis of social impacts of FTA (welfare, non-ag sectors).