Selling Off THE FARM

Corporate Meat's Takeover Through TTIP

EXECUTIVE SUMMARY

Satellite photo of the Tascosa Feedyard, a cattle feedlot in Texas.
Photo by Mishka Henner/Bruce Silverstein Gallery, New York

KEY FINDINGS OF THE REPORT:

TTIP will accelerate corporate concentration and expand industrial meat production or "factory farming" by increasing the power of meat-producing transnational corporations. Liberalizing tariffs will make EU meat products even less competitive, increasing pressure in the EU to adopt even cheaper, industrialised practices that largely shift environmental and health costs onto the public. Furthermore, it will disincentivise new regulations that seek to discipline the industry's worse practices, particularly if these rules raise the cost of production.

At the same time, regulatory "harmonisation" measures embedded in TTIP will directly or indirectly pressure governments on both sides of the Atlantic to reduce regulatory costs and "non-tariff barriers" to trade. TTIP will weaken and lower existing standards, particularly when it comes to animal welfare, genetically modified food, food safety and public health.

Labour and environmental regulations related to the meat industry are inadequate on both sides of the Atlantic and need to be strengthened. Trade unions and environmental campaigns have achieved incremental gains; however, TTIP is likely to make it difficult to improve regulations on these issues in the future if they are seen as trade restrictive.

U.S. negotiators are unlikely to accept anything less than what was negotiated in the Trans-Pacific Partnership (TPP). That agreement makes zero tolerance on GMOs (including for animal feed) much more difficult, thereby undermining the EU's longstanding adherence to the precautionary principle.

Many new agricultural and food technologies are being developed or already utilized with limited or no regulation. TTIP will make rulemaking in the public interest much more difficult in the future for technologies such as gene editing and cloning.

The chilling effect of TTIP's (de)regulatory cooperation provisions will make it increasingly challenging in the future to effectively regulate impacts of the meat industry on climate change and other as yet unforeseen issues.

Investor State Dispute Settlement (ISDS) provisions in TTIP are likely to thwart efforts to effectively regulate the global meat industry's growing power and will exponentially expand the number of corporations empowered to use these provisions. With ISDS, transnational meat corporations such as JBS and Smithfield--present and expanding on both sides of the Atlantic--could be newly empowered to challenge regulations that hurt their bottom line, even if they are nominally headquartered in other countries such as Brazil and China.

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EXECUTIVE SUMMARY

Citizens in both the European Union (EU) and the United States (U.S.) are demanding a healthier, more just and more sustainable food system. As parties negotiate the Transatlantic Trade and Investment Partnership (TTIP), proposed trade rules threaten to undermine the good food and farm movements on both sides of the Atlantic. The negotiations are taking place at a formative time: consumer interest in locally grown, organic and minimally-processed food is expanding in both regions, along with public policy supporting these consumer choices. At the same time, globalisation and an increasingly concentrated and vertically integrated agricultural sector are pushing food production, in particular the meat sector, toward increasing overall production through industrialised systems located where labour is cheap and environmental and animal welfare standards are weak or non-existent.

If agreed to, TTIP would be the largest and most comprehensive bilateral trade agreement ever signed, as well as a blueprint for future international agreements. Consequently, TTIP not only threatens current efforts in the EU and U.S. to build a healthier, more compassionate and more sustainable food system, but the trade deal could also expand factory farming worldwide by harmonising standards of two of the largest meat markets (U.S. and EU) and setting the terms for global standards in future trade deals. Eliminating all tariffs on agricultural products in the market-access chapter as proposed would favor ever cheaper production methods. Likewise, TTIP's focus on reducing or eliminating regulatory differences and protections—"regulatory harmonisation"—would promote cheaper industrialised practices prevalent in the U.S. and increasingly prevalent in the EU. As a result, TTIP is likely to stand in the way of much-needed regulatory reform in the U.S. as well as proposals in the EU that seek to address climate change, animal welfare and the role of GMOs in the food system.

CHAPTER 1: THE CURRENT U.S. AND EU MEAT INDUSTRIES

The U.S. is the largest producer of beef in the world at 11.4 million tonnes (over 12.5 million American tons), and large-scale industrial feedlots dominate the U.S. industry. Such facilities can hold more than 18,000 head of cattle at a time. In comparison, a feedlot with 200 head of cattle is considered "large" in the EU. The U.S. is also the largest exporter of pork, and both sectors have experienced a shift from family farms to large operations controlled by consolidated global corporations. Over the last two decades, 90 percent of the independent pig farms in the U.S. have been wiped out, leaving one company in control of over half of the pork production in the country and depressing prices paid to farmers. A similar story can be told about chicken production. In 2012, the average size of U.S. broiler chicken operations was 166,000 birds, a number that pales in comparison with the largest operations, such as in California, where the average broiler inventory per operation at any one time exceeded 1.7 million birds, making the U.S. the largest poultry meat producer and second largest exporter.

The expansion of industrialised farming in the EU has been slower than in the U.S. About 40 percent of the land area in the EU's 28 Member States (EU-28) is farmed, and family farms in the EU's 28 Member States were responsible for rearing 71.1 percent of all livestock in 2010. Organic farms are a growing share of EU agricultural holdings, comprising a significant percentage in some countries such as Austria. The family farm model is nonetheless threatened as the EU's meat sector becomes increasingly concentrated. Through mergers and acquisitions and expansions into additional countries, five producers now dominate in the major meat-producing countries.

Although the EU beef industry has contracted since the early 2000s, Europe remains third in global production of beef at over eight million tonnes. EU beef production is considered at a competitive disadvantage compared to the U.S., with higher costs and more regulatory restrictions. Three countries—France, Germany and the U.K.—accounted for roughly half of the total EU beef production in 2013. Instead of the feedlot system, pasture finishing of beef is common in Ireland and to a lesser degree in the U.K. and France, while silage systems predominate in the rest of Europe.

The EU is the second largest exporter of pork. With stagnating EU demand, the focus on export markets has driven overproduction, bigger farms and intense price pressures, ultimately lowering the prices pig farmers receive. While the sector is less consolidated than in the U.S., the industry has experienced similar structural change, including more vertical integration and increasing control by slaughtering firms. By 2012, 55 percent of the commercial value of pork in Germany was in the hands of the four biggest slaughtering companies operating in the EU—Danish Crown, Tonnies, Vion and Westfleisch. In fact, fully 42 percent of German pig producers went out of business between 2001 and 2009 during a period of rapid consolidation.

The European broiler business is currently a domestic-focused industry. Here as well, vertical integration of production and slaughtering, pushed by mergers and acquisitions, is increasing. According to the 2010 Farm Structure Survey, 18.5 percent of all European farms raised broilers. "Professional farms"—barely one percent of the total number of broiler farms—are considered those with more than 5,000 birds. More than three-quarters of farms with more than 5,000 broilers were located in France, Spain, Poland, Italy, Germany and the U.K.

CHAPTER 2

Climate

The U.S. lacks binding regulations to cap methane and nitrous oxide emissions resulting from feedlots or livestock production, and government estimates may understate the amount of methane in the country's annual greenhouse gas inventory by as much as half. In the EU, agriculture has been deemed responsible for 40 percent of the EU's methane emissions, and the recently revised National Emissions Ceilings Directive includes a cap of 30 percent on methane emissions. Nonetheless, the agriculture-related provisions of the Directive have come under attack by the European livestock industry. Lobbyists specifically identified the TTIP negotiations as a reason not to cap agriculture-related emissions. Thus, the prospect of increased competition resulting from TTIP is already providing incentives for deregulatory harmonization, and new trade-based rules will make it even more difficult to effectively address climate change.

Labour

In both the U.S. and EU, meat operations exploit some of the most vulnerable workers who often lack full legal protections accorded employees in other sectors of the economy and who work in unsafe and dehumanizing conditions. In the U.S., animal agricultural operations are exempted from many wage, hour and other labour standards applicable to other industries, and many operations are located in states with weak environmental standards that also discourage collective bargaining. In the EU, agribusiness operations take advantage of the Posting of Workers Directive that allows them to skirt wage standards and collective bargaining protections available to other workers. These companies have also greatly expanded their operations into newer Member States in Eastern Europe, taking advantage of weaker economies and fewer environmental and other protections. Increased competition through TTIP would exacerbate these terrible labour conditions and diminish possibilities for trade unions to push for needed reforms on both sides of the Atlantic.

Animal Welfare

Significant disparities between the EU's modern-day animal welfare standards and those in the U.S. which are based on 19th century sensibilities and law, make this policy area ripe for agribusiness attacks through trade rules. The EU's enhanced animal welfare standards are already being blamed for higher production costs, and efforts to continue to improve are meeting resistance because of competition. TTIP negotiations will be a large "elephant in the room" if and when the Commission decides to embark on a new strategy on animal welfare based on its recent survey of public opinion, which demonstrated that an overwhelming majority of EU citizens support even stronger animal welfare protections.

Environment

Both U.S. and EU governments have failed to recognise and adequately address the environmental damage and climate impacts caused by industrialised agriculture. A UN Food and Agriculture Organisation (FAO) report found that livestock farming alone costs the environment $1.81 trillion per year, equivalent to 134 percent of its production value. Our review of environmental regulations on air, water and soil governing the meat sector shows an urgent need to address the gross environmental externalities of industrial animal production on both sides of the Atlantic.

Cloning

The European Parliament resolution on the TTIP negotiations identified animal cloning for farming purposes as a policy area where the EU and U.S. have very different rules and where changes to the EU ban should be "nonnegotiable." Nonetheless, with cloning legal in the U.S., the TTIP negotiations appear to be adding pressure on the European Commission to accede to agribusiness interests and modify its policies. In 2013, following the initiation of TTIP negotiations, the Commission put forward two linked proposals that would ban farm animal cloning but allow the sale of meat and milk produced by descendants of cloned animals. To date, negotiations on the Commission proposals have been stalled, but this is an emerging policy area that could be at risk under TTIP's regulatory cooperation provisions.

Public health and antibiotic resistance

Threats of increasing bacterial resistance to antibiotics have been recognised since the 1970s, yet antibiotic use in food animal production continues to rise. At least two million Americans are infected with antibiotic-resistant bacteria each year and a minimum of 23,000 die as a result. In the EU, infections from antimicrobial resistant bacteria kill 25,000 people annually. In response to this public health crisis, governments in 2015 agreed to launch the Global Action Plan on Antimicrobial Resistance led by the World Health Organisation. The U.S. currently has only voluntary restrictions on antibiotics use in animal production, and its SPS proposals encourage mutual recognition of its policies. The EU's proposed article in TTIP's SPS chapter on anti-microbial resistance suggests creating a technical working group and harmonising data collection on the use of antibiotics. However, it is highly unlikely that U.S. negotiators would agree to this weak proposal, given the power of the U.S. meat industry, which spent considerable resources to undermine even non-binding federal dietary guidelines suggesting eating less processed and red meat.

Traceability and accountability

A key requirement of EU food safety policy is traceability, which aims at tracking food and ingredients for human consumption at all stages of production, processing and distribution. This approach is based on the precautionary principle and incorporates food hygiene throughout the production chain, providing the legal and policy basis for restrictions on the use of antibiotics, hormones and other chemical inputs in meat production, as well as strict GMO regulation. The U.S. lacks both the authority and the capacity to insure traceability, and the U.S. meat industry has stressed that to be acceptable to the industry, participation in this system must be voluntary. In short, traceability is bad for the U.S. industry's bottom line.

Assessing risk-precaution versus cost-benefit

Both the EU and U.S. regulatory systems look to science to assess, manage and communicate risk, but there are key differences in how each government uses science in developing its regulations and how scientific uncertainty is dealt with. The EU uses the precautionary principle to prioritise public health and the environment, whereas the U.S. uses the cost-benefit approach that tends towards regulating the safety of the end product rather than focus on preventing contamination throughout food production, processing and distribution. The U.S. meat industry continues to challenge the precautionary principle and expects convergence with the U.S. approach through TTIP.

Undermining EU's zero tolerance for unapproved GMOs

The U.S. has proposed a new provision in TTIP concerning biotechnology based on language in the TPP, but even more biotech industry-friendly. The proposal would require the EU to participate in the Global Low Level Presence Initiative (GLI) whose goal is to ensure that contamination through inadvertent exports of unapproved GMOs does not result in rejection of such shipments. This would essentially undermine the EU's zero tolerance policy.

Genetically modified (GM) feed and zero tolerance

GM risk assessment, approval and labeling issues have been highly contentious on both sides of the Atlantic. Policies of EU Member States and U.S. states have been inconsistent with central government decisions, often taking a more cautious approach and supporting more comprehensive labeling. The biotech and feed industries have made it clear that they see TTIP as a prime opportunity to speed up GM approvals and to centralize decision-making at the EU and U.S. levels of government. Even before the formal initiation of TTIP negotiations, the European Commission started relaxing its biotech rules under industry pressure. Europe's zero tolerance contamination policy was watered down in 2010 to allow for a low-level presence of GMOs in animal feed under certain conditions.

> In each issue area—be it climate and the environment, GMOs, antibiotics, animal welfare, food safety or social justice—citizens in both Europe and the United States are interested in seeing stronger, more effective regulations. And they are interested in reining in the excesses of transnational corporations. TTIP will take us in the opposite direction and set the global standard for other trade deals.

CHAPTER 3: CORPORATE MEAT'S TAKEOVER THROUGH TTIP

Liberalised tariffs

Industrialised practices prevalent in the U.S. produce meat more cheaply than in the EU. Farm gate prices for beef, pork and poultry for U.S. and EU farmers in the last ten years demonstrate that U.S. farmers are paid consistently lower prices for their animals. Such cost-cutting is only possible with the extreme corporate concentration of the meat industry that allows for exploitation of farmers and workers and shifts environmental and public health costs onto the taxpayer. The EU lacks the reliable livestock supplies, low-cost feed and economies of scale that define the U.S. meat industry. Studies by the United States Department of Agriculture (USDA), European Commission, European Parliament, NGOs and farming interests all find that TTIP, as currently proposed, will increase meat imports to the EU from the U.S. and could seriously disrupt the meat sector and other agricultural sectors of Europe's economy. The EU meat industry will likely respond by further concentrating market power and in the process, price out many more independent and small producers.

While EU officials insist that the most sensitive agricultural products will be exempt from "complete tariff liberalisation," leaked documents demonstrate that negotiators' actions do not match the rhetoric. Live beef cattle, animal and dairy products, and animal feed products are all slated for tariff liberalisation, even up to zero tariffs over time. The EU has also indicated that although some tariffs will not be eliminated, tariff rate quotas for hormone-free beef are likely to be expanded. These market access offers alone will result in a "race to the bottom" for EU production as European meat processors compete with the U.S. However, combined with TTIP's deregulatory agenda, food and agriculture in the EU are likely to undergo their biggest industrial transformation yet.

Threats from regulatory cooperation

TTIP's goal to eliminate "non-tariff barriers" or "trade irritants" threatens sustainable farming regulations on the environment, public health and animal welfare. Where there are vast differences between regulatory regimes, those standards that are more protective (and usually, more costly to implement) are at significant risk. With TTIP envisioned as a "living agreement," future rulemaking processes at the EU and Member State levels (and likewise at U.S. federal, state and local levels) will be affected. Proposals on regulatory cooperation that would lower food and farming standards run throughout TTIP both in a "horizontal" chapter on domestic regulatory practices intended to apply across the entire agreement, and embedded in specific chapters.

These provisions would grant unparalleled influence to business as a key stakeholder, screening regulations to insure that only the "least trade restrictive" can go forward and shifting policy-making from open, democratic processes to informal, less accountable negotiations. Many civil society organizations have identified the real dangers presented by increased corporate influence on the development of public health and safety standards posed by both the U.S. and EU regulatory cooperation texts.

Examples of Corporate Meat and Dairy Investors in the EU and the U.S.

U.S. firms and subsidiaries in the EU:

- **JBS**—headquartered in Brazil and the world's largest producer of industrial meat. Has been aggressive in acquiring numerous meat operations in the U.S. and has made no secret about expanding into Europe.
- **WH GROUP**—a shell company for Chinese agribusiness Shuanghui/Shineway—the largest pork processor in China and now the world—acquired U.S. based Smithfield in 2013. Smithfield has plants in Poland and Romania with plans for further expansion.
- **CARGILL MEATS EUROPE**—has processing facilities in the U.K. and France and consistently ranks as one of the top three meat producers in the world.

EU Dairy Firms in the U.S.

- **DANNON**—U.S. subsidiary of the French giant Danone (third largest dairy producer in the world); is headquartered in New York and has plants in Ohio, Texas, Utah and Oregon.
- **PARMALAT U.S.A.**—Italian subsidiary of French Lactalis Group (second largest dairy producer in the world); filed for bankruptcy in the U.S. in 2004. Its products include the brand names Farmland Dairies, Skim Plus, Welsh Farms, Sunnydale, Beatrice Foods and Black Diamond.
- **LACTALIS AMERICAN GROUP**—subsidiary of Lactalis Group; has offices and plants in New York, Idaho and Wisconsin.
- **SODIAAL**—French firm advertising itself as France's largest dairy cooperative; has a 49 percent share of Yoplait SAS. U.S.-based General Mills owns a 51 percent share.
- **ADVANCED FOOD PRODUCTS LLC** is a subsidiary of French firm Savencia Fromage and Dairy (formerly Groupe Bongrain SA); has offices in Pennsylvania, Wisconsin and California.

Taken together, these measures implement a deregulatory agenda that will:

- Prioritise trade effects over the public interest
- Undermine the precautionary principle
- Weaken protective standards through mutual recognition and harmonisation of standards
- Streamline "modern agricultural technology" approvals relying on confidential industry studies
- Heighten the burden of proof on regulators to make and defend regulatory decisions
- Delay protective regulations through "paralysis by analysis"
- Create a regulatory chokepoint by "managing" regulations
- Chill the development of new standards addressing changing circumstances and new data
- Institutionalize and expand corporate influence throughout the standard-setting process
- Limit more protective standards at EU Member State and U.S. state levels of government
- Create new possibilities for trade-based corporate legal challenges and new pools of data to support those challenges

State to state and investor-state dispute settlement (ISDS)

Combined with these provisions in the agreement, public interest regulations may be at serious risk when considered more trade restrictive than "necessary" and when they impinge on a corporation's expected profits. This has great significance for a number of rules that are being revised or created in the EU, such as the Posting of Workers Directive, cloning, Country-of-Origin-Labeling (COOL), climate legislation and future Animal Welfare rules, as well as policies adopted by U.S. state governments that go beyond federal standards, such as GMO and chemical labeling requirements. With transnational meat corporations such as JBS, Cargill and Smithfield present and expanding on both sides of the Atlantic, ISDS could newly empower these firms to challenge food and farming policies that hurt their bottom line—even if they are nominally headquartered in other countries such as Brazil or China.

CONCLUSION

TTIP threatens citizen-led movements toward a healthier, more just and more sustainable food system in the EU and the U.S. It will promote the expansion of industrial meat production at a time when civil society is demanding the opposite—meat produced humanely, locally, free of harmful substances and benefiting rather than degrading the environment. Both by eliminating tariffs and through its regulatory cooperation provisions, TTIP will encourage a race to the bottom to achieve the cheapest methods of production and processing at the expense of other public goods. While undermining EU food policies that are strongly supported by consumers, it will also provide the framework for corporate attacks on U.S. state-level policies that go beyond federal minimum standards, undermining progress made by the U.S. food justice, farmer and consumer movement to regulate the meat industry and ultimately transform the U.S. food system. Negotiators' statements to the contrary, TTIP must be recognised for what it is: a multi-pronged strategy promoted by global agribusiness concerns on both sides of the Atlantic that will establish an ongoing mechanism for deregulation and meat industry consolidation. It is undemocratic; the policies it promotes are unsustainable; and it must be rejected by anyone who cares about good food and farming, human and animal rights and the future of our planet.

Full paper available at iatp.org/selling-off-the-farm.

References, endnotes, and bibliographic information can be found in the endnotes of the full paper.