

Forecast Balances for an EU-19

Given the results of national referenda and the announcement of Agenda 2000 by the European Commission, the new EU members will not include Norway, Switzerland, or Slovakia shortly after the year 2000 as assumed in this analysis. But, the consensus opinion at the time of this analysis was that Slovakia would be included in the first wave, leading to an EU-19. Although Cyprus, Estonia, and Slovenia are included in the first wave, their agricultures and populations are quite small relative to the other entrants and are not considered in this analysis. Following are brief analyses of grains and livestock balances of an EU-19, including Slovakia, under different scenarios.

Grains

The effects of the CEEC-4 on EU-19 production, consumption, and trade dominate the changes compared with the 3 EFTA countries that joined the EU in 1995. As mentioned above, higher prices for the CEEC-4 result in less consumption and more production of livestock products in scenario 3 compared with the base scenario. On the other hand, CAP reform results in set-aside, which lowers grain production in the CEEC-4 as well as the EU-15. Hence, grain production is lower when the CEEC-4 join the CAP than in the base scenario where they are not in the CAP. For the EU-19 as a whole, grain production is lower while grain consumption is higher in scenario 3 than in the baseline scenario, which leads to lower grain exports when the CEEC-4 join the EU (table 19).

The price of meat, significantly higher in the CEEC-4 under the CAP in scenario 3, leads to higher production and a significant increase in feed demand by the CEEC-4 compared with the baseline scenario. This increase in feed demand for grains, in addition to lower production as a result of set aside as dictated by 1992 CAP reform, leads to overall net exports of grains in the EU-19 in scenario 3 that are lower than in the base scenario.

Livestock

Higher meat prices for the CEEC-4 in an EU-19 lead to greater meat production, less meat consumption,

Table 19—EU-19 grain production, consumption, and net trade under alternative scenarios, 1989/91-2005

Year	Base	Scenario 3	Scenario 4
<i>Million tons</i>			
Production			
1989/91	241.68	241.68	241.68
1995	222.49	224.14	224.12
2000	254.89	244.37	239.3
2005	280.46	268.72	263.04
Consumption			
1989/91	211.83	211.83	211.83
1995	210.27	211.90	211.89
2000	215.65	219.65	222.68
2005	218.80	223.3	226.43
Net trade			
1989/91	29.86	29.86	29.86
1995	12.21	12.84	13.03
2000	39.24	24.52	17.82
2005	61.65	45.63	38.81

Source: European Simulation Model

and, for the most part, greater net meat exports in an EU-19 for scenario 3 compared with the base scenario (table 20). This result holds true for all meat categories of beef, pork, and poultry. Net exports of beef and pork are marginally higher in 2005 in scenario 3 than in the 1989/91 base period, while net poultry exports are somewhat lower.

The results for livestock seem reasonable under the assumptions used for modeling. In practical terms, however, it is questionable whether the CEEC-4 would take over a substantial portion of the current pork market in the EU given quality differences and a limited international market. The results for beef and poultry do seem plausible both for the internal EU market and for the world market.

Implications for the EU-19 of Enlargement to the East

As stated before, scenario 4 represents a simple attempt to reduce the budgetary costs to the EU of absorbing the CEEC-4 into the CAP by reducing prices without compensation. Intervention prices are reduced for grains and livestock products—with the

Table 20—Production, consumption, and net trade of beef, pork, and poultry under alternative scenarios, 1989/91-2005

Year	Base			Scenario 3			Scenario 4		
	Beef	Pork	Poultry	Beef	Pork	Poultry	Beef	Pork	Poultry
<i>Production</i>									
	<i>Million tons</i>								
1989/91	9.95	18.62	7.61	9.95	18.62	7.61	9.95	18.62	7.61
1995	9.36	18.00	7.93	9.45	18.30	8.00	9.44	18.20	8.00
2000	9.95	18.51	8.46	10.37	19.04	8.78	10.01	18.93	8.80
2005	10.45	18.81	8.72	10.90	19.40	9.13	10.42	19.28	9.15
<i>Consumption</i>									
1989/91	9.19	17.82	7.12	9.19	17.82	7.12	9.19	17.82	7.12
1995	9.80	17.66	7.72	9.79	17.80	7.76	9.78	17.71	7.77
2000	10.18	18.29	8.44	9.82	18.13	8.40	10.22	18.14	8.46
2005	10.36	18.56	8.79	10.01	18.44	8.74	10.43	18.46	8.80
<i>Net trade</i>									
1989/91	0.76	0.79	0.49	0.76	0.79	0.49	0.76	0.79	0.49
1995	-0.44	0.34	0.21	-0.34	0.50	0.23	-0.34	0.49	0.23
2000	-0.23	0.22	0.02	0.56	0.92	0.38	-0.21	0.79	0.34
2005	0.09	0.25	-0.07	0.88	0.96	0.40	-0.01	0.82	0.34

Source: European Simulation Model

exception of pork and poultry, the prices of which are set by the internal EU market. Beef and grain prices are reduced by approximately 15 percent by the year 2005 in scenario 4 while pork and poultry prices drop by 6 percent and 8 percent, respectively. Production of grains and livestock products decline as a result of the price decreases compared to scenario 3, while consumption increases.

The combination of lower production and higher consumption leads to lower net exports of all commodities in scenario 4 than in scenario 3 for the EU-19. Lower production and lower exports also result in

lower budget costs for the CAP, but farmers receive less total income. Livestock producers' net income will likely increase because prices for feed inputs have declined, although some beef producers will see a decline in net profit because price support has declined for beef. Pork and poultry producers would likely profit more than producers of other products because their feed input costs have decreased proportionately more than their prices have declined. In any event, the drop in feed prices would be more advantageous for pork producers than other livestock producers because pigs are more intensive consumers of grains than other livestock are.