

The EC/US Oilseeds Agreement and Oilseeds in the European Union

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The oilseeds agreement between the European Commission (EC), on behalf of the European Union (EU) was reached with USA as part of Blair House negotiations during 1992 but in fact ratified by EC in 1993. The part of the agreement affecting oilseeds has 2 primary components, namely :

1. That the base area for EU oilseeds grown under the Arable Area Payments Scheme and receiving crop specific payments shall be 5.128 million ha in EU-12. This base area includes set-aside associated with oilseeds. It was agreed that every 1% overshoot triggered a cut in aid of 1% and that cuts would be carried forward to the next marketing year until the oilseeds area fell below the base area.

2. There shall be a limit of 1 million tonnes soya bean meal equivalent for by-products of non-food oilseeds grown upon set-aside land in EU with unspecified corrective action if the limit is exceeded.

In so far as EU is concerned, oilseeds are defined as oilseed rape (including *Brassica napus* and *Brassica campestris* types), sunflower and soya bean. *Linum usitatissimum* grown either as linseed for oil and meal or flax for fibre are aided under other EU regulations, linseed by the main arable area payments scheme, but outwith EC/US Oilseeds Agreement and flax by a fibres regime.

The EC/US Oilseeds Agreement excludes production from small farmers : those with less than an area of land equivalent to 92 tonnes production of cereals (approx. 15 ha in UK)

receive aid at the level paid for cereals only and are exempt from set-aside requirement. However, small producers can opt into the main scheme if they wish. Additionally, under aid schemes for oilseeds, level of aid is modified for changes in world price greater than 8% of that originally projected. Hence the current high world price of rapeseed will lead to downward adjustment of rates of area aid.

For the 1994 crop, Spain and Portugal are in their final year of transition to full membership and their sunflower crops are subject to separate base area limits. From 1995, all oilseeds are included in the single base area.

Also, the 5.128 million ha oilseed base area will be amended to allow for the accession of Austria, Finland and Sweden to EU in due course. Amendment will be based upon mean oilseeds production in these States in the last 3 years.

The mechanism of penalties is triggered if the entire EU area of production exceeds 5.128 million hectares ; if an individual state exceeds its base area, but the entire EU does not, then penalties do not apply.

EU Production of oilseeds.

Whilst GCIRC is concerned solely with rapeseed, the area, yield and production of all 3 EU oilseeds are shown in Tables 2, 3 and 4 to provide an indication of trends and national priorities within the oilseeds regime.

Table 1 : Oilseed National Reference Areas in the EU
1995/96 '000 hectares

	National Reference Area inc linked set-aside	Maximum Guaranteed Area (excludes set-aside)
France	1,730	1,522
Germany	929	818
Italy	542	477
UK	385	339
Denmark	236	208
Greece	26	23
Belgium/Luxembourg	8	7
Netherlands	7	6
Ireland	5	4
Spain	1,168	1,028
Portugal	93	82
EU 12	5,128	4,513

NB : Plantings on set-aside or under small producers' scheme are all excluded from Maximum Guaranteed Area.

Table 2 : Production of Sunflower in EU

	Area ('000 ha)				Production ('000 t)			
	1993/1994*		1994/1995*		1993/1994*		1994/1995*	
	non-food	other	non-food	other	non-food	other	non-food	onther
Belgium/ Luxembourg	0.00	0.04	0.00	0.05	0	0	0	0
Denmark	0.00	0.00	0.00	0.00	0	0	0	0
Germany	0.26	88.24	17.24	197.00	1	231	34	392
Greece	0.00	17.40	0.00	20.30	0	23	0	41
France	0.00	760.15	25.00	998.00	0	1 756	58	2 305
Ireland	0.00	0.00	0.00	0.00	0	0	0	0
Italy	43.00	71.88	70.00	154.90	88	147	154	341
Netherlands	0.00	0.02	0.00	0.10	0	0	0	0
UK	0.00	0.77	0.00	0.33	0	2	0	1
Spain	4.44	2,064.28	35.85	1,306.21	3	1 215	28	1 021
Portugal	0.00	97.90	0.00	129.00	0	78	0	103
EU-12	47.70	3,100.68	148.09	2,805.89	91	3 451	274	4 203

* Latest estimate

(Source : EC working docs)

Table 3 : Production of Rapeseed in EU

	Area ('000 ha)				Production ('000 t)			
	1993/1994*		1994/1995*		1993/1994*		1994/1995*	
	non-food	other	non-food	other	non-food	other	non-food	onther
Belgium/ Luxembourg	2.59	5.00	10.06	5.35	8	15	30	16
Denmark	18.10	143.30	41.70	129.40	46	364	97	298
Germany	60.61	1,000.22	136.19	972.30	172	2 831	358	2 557
Greece	0.00	0.00	0.00	0.00	0	0	0	0
France	59.00	508.50	197.00	521.00	168	1 449	512	1 355
Ireland	0.00	2.09	0.50	5.20	0	7	2	17
Italy	0.00	3.97	2.00	12.40	0	10	5	31
Netherlands	1.00	1.25	1.10	1.20	3	4	4	4
UK	40.61	380.83	91.72	413.90	121	1 135	248	1 118
Spain	0.00	9.56	2.16	66.96	0	12	2	53
Portugal	0.00	0.36	0.00	0.40	0	1	0	0
EU-12	181.91	2,055.08	482.43	2,128.11	518	5 827	1,257	5 450

* Latest estimate

(Source : EC working docs)

Table 4 : Production of Soyabeans in EU

	Area ('000 ha)				Production ('000 t)			
	1993/1994*		1994/1995*		1993/1994*		1994/1995*	
	non-food	other	non-food	other	non-food	other	non-food	onther
Belgium/ Luxembourg	0.00	0.00	0.00	0.00	0	0	0	0
Denmark	0.00	0.00	0.00	0.00	0	0	0	0
Germany	0.00	0.58	0.00	0.45	0	2	0	1
Greece	0.00	0.13	0.00	0.00	0	0	0	0
France	0.00	50.40	0.00	98.00	0	137	0	266
Ireland	0.00	0.00	0.00	0.00	0	0	0	0
Italy	0.00	157.34	0.00	191.00	0	530	0	644
Netherlands	0.00	0.00	0.00	0.00	0	0	0	0
UK	0.00	0.00	0.00	0.00	0	0	0	0
Spain	0.00	1.27	0.00	5.52	0	3	0	11
Portugal	0.00	2.40	0.00	0.00	0	0	0	0
EU-12	0.00	212.12	0.00	294.97	0	672	0	922

* Latest estimate

(Source : EC working docs)

Future Levels of aid.

Levels of production of rapeseed in 1994 clearly exceed the base area limit and penalty cuts in area aid payments are therefore inevitable. Whilst final levels are not yet agreed, penalties are expected in Germany, France, Spain, Ireland and UK.

Additionally, with the prevailing high world price for rapeseed, further area aid adjustments are likely : estimates suggest a downward adjustment of 8-10% in UK.

Trends in world price of rapeseed are shown in Table 5.

Table 5. Average price of '00' rapeseed

Marketing year Oilseed rape	Approximate Mean prices of '00' US\$/t (Hamburg)
1993-1994	284,2
1992-1993	232,2
1991-1992	203.8

(Source : Oil World)

Industrial Oilseeds on set-aside land.

Under the EC/US Oilseeds Agreement, the 1 million tonnes of soya meal equivalent from non-food oilseed crops produced on set-aside land is included but the precise equivalent in terms of rapeseed or other meals has not yet been finalised.

At harvest 1994, non-food oilseeds amounted to 1.5 million t in totality, well within any possible 1 million tonne soya meal equivalent.

However, the accession of Austria, Finland and Sweden will have considerable effects : whilst the latter 2 countries have little non-food rapeseed/oilseed production, Austria has a well-developed biodiesel industry. Hence, non-food oilseeds production in EU-15 will be higher than in EU-12 and unfortunately, there is no provision to extend the 1 million tonne limit agreed in the EC/US oilseeds deal. Several questions have then to be posed :

(i) Will the 1 million tonne soya meal equivalence level be exceeded by EU-15 non-food oilseed meal production ?

(ii) What action will follow if the 1 million tonne soya meal equivalent is exceeded ?

(iii) If constraints are to be made upon non-food oilseeds grown on set-aside land, then are the current primary uses, namely biodiesel/diester, the most important or relevant in the longer term ?

(iv) If non-food uses other than biodiesel/diester are considered more important, what will happen to existing biodiesel/diester industries, especially in Austria and France ?

In conclusion, it can be seen that whilst the EC/US oilseeds agreement resolved an international dispute in trade, in the immediate future that same agreement may have a major detrimental impact on oilseed production in EU.