

The CAP Reform and the Consequences for Rapeseed in Denmark

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The guidelines for the oil seed market in the EEC and Denmark as formulated in the common agricultural policy was changed radically from 1. July 1992 due to the dispute in GATT between the United States and the EEC, the GATT panel on oilseed. Consequently, the Danish rape seed harvest 1992 took place on the premises of the new oilseed scheme.

Subsequently, the 1992/93 oilseed scheme has been incorporated in the new common agricultural policy (CAP), which is going to operate from the 1. July 1993, by which the 1993 rapeseed harvest is comprised.

Finally, an agreement between the EEC Commission and the US administration as to definitively settle the oilseed dispute in GATT was obtained in November 1992, and it will, if adopted as agreed upon, be in operation from the 1994 harvest.

According to this development, the Danish and the EEC rapeseed production is presently situated in the midst of a changing environment. The new CAP and the new oil seed regime affects the production in a number of ways. However, the consequences are hard to judge at the present stage.

The basic changes in the 1992/93 oilseed scheme.

The main change introduced in the 1992/93 scheme was a swift over from an aid system with compensation per kilo produced seed to a system with area payments. It means that under the new scheme, the EEC rapeseed grower is obtaining his returns partly from the market (world market price) and partly by an area payment. However, the intention as explained by the EEC authorities was to maintain the competitiveness of oilseed production in the EEC in relation to cereal production at average EEC level.

The area payment, hectare aid, is based on regional yields throughout the Community in a reference period, 1986/87 till 1990/91, compared to the EEC average yield of oilseed. Denmark turned out to be one region and the area payments were fixed to approximately 4.600 Dkr. per hectare for winter rapeseed and approximately 3.550 Dkr. for spring rapeseed. The reference yields per hectare in Denmark were 3,15 and 2,45 tons respectively.

As a result of the new scheme, the Danish rapeseed growers obtained around 1,20 Dkr. per kilo rapeseed from the market for their 1992 crop, while they obtained around 2,60 Dkr. per kilo in 1991. After having added the hectare aid to the obtained market prices, the 1992 net results measured in gross margins turns up to be almost the same as the 1991 results. Thereby also the intended balance with a cereal crop has been obtained in Denmark for the 1992 rapeseed harvest.

The inclusion in the new CAP.

The new oilseed scheme was 1 year ahead of the new CAP, which will be in operation from the harvest 1993. One of the main ingredients in the new CAP is a system of area payments for the so-called reform crops (cereals, oilseeds and proteins) combined with a 15 per cent set aside under certain conditions. With regard to the set aside, the percentage is related to the total area planted with reform crops and not to area of the individual crops. However, for small producers, there are no commitments concerning set aside. Another important feature is a regulation providing for production of non-food, i.e. a rapeseed crop, on set aside land.

In connection with the inclusion in the new CAP, the average EEC area payments to rapeseed was reduced to 6,5 per cent compared to the 1992 scheme, while the total payments (market price + area payments) for cereals were kept

unchanged. It means that the competitive situation for oil rapeseed vis-à-vis cereals deteriorated in general terms following the reform package, and most likely this will cause a drop in the EEC oilseed production.

With regard to the consequences in Denmark, a technical modification of the scheme, by which a separate reference period and a separate area payment for winter and spring rape was no longer permitted, has caused an even more serious situation for the Danish production. The reason is that the Danish rapeseed production during the reference period to a large extent was transformed from the low yielding spring rape to the high yielding winter rape. As a consequence, the area payment for all rapeseed will be 3.688 Dkr. for the 1993 harvest compared to 4.600 Dkr. for winter rapeseed in 1992 and 3.550 Dkr. for spring rapeseed. For the now dominating winter rapeseed production in Denmark, this is equal to a decrease in the hectare premium of 20 per cent. Therefore, the Danish rapeseed production, which already went down in 1992 is expected to adapt into a much lower production level in the years to come than experienced during recent years. The reduction in quantities will no doubt be larger than the reduction in acreage as the poor payment from the market under the new system will force farmers to save costs by reducing inputs like fertilizers, pesticides, etc. Most likely an

increased transfer of rapeseed production from better to poor soils is going to take place as well, which will also reduce the quantities produced.

The development in the Danish production appears from the graphics shown below.

So far, the use of rapeseed to non-food has had no importance in Denmark, and it remains an open question, if a future outlet of importance can be established. Some initiatives have been taken with regard to the use of rape oil as motor fuel, but at present the calculations allow no margins to the Danish producers.

The GATT Panel Agreement.

This agreement introduces restrictions on the EEC oilseed production going beyond the new CAP scheme, including a 15 per cent specific set aside of the oilseed area and a production limit of the oilseed production on set side land.

However, as indicated above, the Danish rapeseed production is probably going to be reduced more than this agreement prescribes. To Danish and European agriculture, the prescribed restrictions in a deficitary sector like oilseed are nevertheless unpleasant as they can only lead to either a further rise in cereal production, which is in surplus, or more land to go to set aside.

