

Some topics of EU discussion on world free trade with vegetable oils from viewpoint of czech union of oilseeds growers and processors

Zdenek Linhart

Union of Oilseeds Growers and Processors, Czech University of Agriculture, Prague Email: linhart@pef.czu.cz

Abstract

WTO-rules and the debates on liberalisation of markets versus local development are forming following question:

What is good for producers, and processors of rapeseed?

What is good for consumers of rape oil?

Two subjects are tackled in more detail: Real purchase power of consumers and sustainability of producers, and processors in different countries producing rape seed oil is used to show proposals of different parties involved in the problem solution. High purchase power of EU inhabitants will increase prices of oil for Asian consumers, and can damage EU rape seed producers, and processors. It is possible to feel a fear in internal European discussions that Europe doesn't succeed to produce under competition of imports. A price increase of energy and oils can change the situation. But, recent crude oil price decrease in second half of 2006 year proves the volatility of the market. Europe is importing vegetable oil for both bio-fuels, and food already now. The question is under which conditions and measures European oil seed producers, and processors survive? Many different proposals are presented. Industrial relations in connection with combustion technology of rape oil in engines can become a solution for exodus from rural areas as a consequence of global market volatility.

Key words: Oilseed, trade, development, price, food, bio-fuels, proposals, experiences, transition.

Overview of Proposals Preventing Market Distortions and Local Development

Opinions of leaders of liberal tendencies and their opponents is discussed in next paragraphs.

General Approach of WTO Towards Agriculture

The Uruguay Round Agreement on Agriculture (URAA, 1995) defined three categories of support: *market access*, *export refunds* and, *domestic support*. In the first two categories the agreement targeted at the restriction of open use of means that inhibit trade, in the third category at a decrease of trade distortion caused by domestic support. The biggest result of the GATT/WTO agreement was that the tariff system became the base for agricultural trade among WTO members.

Legal, Trade, and Plan Based Solutions

Three approaches the legal, trade, and plan based solutions of global market distortions are discussed further in this paragraph.

CPE (Coordination Paysanne Européenne), Via Campesina, and their many allies in the populations are continuously working to make food sovereignty an essential right. This is considered to be legalistic approach. Agricultural policies based on food sovereignty is our solution against the dogma of 'free'-trade, and one important answer in the fight against poverty, starvation and forced migration" says CPE, and Via Campesina. Respect for this legal claim seems to be even lower then efforts to remove barriers of trade by WTO.

Australian, and Canadian free trade based statements are contradictory to the one of CPE:

Australian statement: Myths and realities of agricultural protection	
<i>Support is needed to</i>	<i>Response</i>
Provide for self-sufficiency	Biggest subsidiser of all – the EU – is more than 100 % self-sufficient. The EU is, e.g., the world's second largest exporter of sugar.
Keep people in rural areas	At one point Europe lost one farmer for every minute over 20 years.
Preserve the countryside	The average age of farmers in subsidised countries is not different to that in countries with low protection of farms. Fragile land has been returned to native vegetation when subsidies removed. Better to subsidise hedgerows and maintenance of 'small green fields' rather than milk production. First best policy is a direct subsidy to preserve countryside combined with free trade.
Preserve jobs	Assistance for one job is a tax on another – for every job saved there is a job lost.
Provide adequate farm income	Hasn't worked. Many farmers in the most protected markets still struggle. About 70% of EU subsidies go to the 30% of biggest farmers.
Preserve the environment	But it has been found that 80% of subsidies are perverse – they harm both the economy and the environment.
Ensure food safety	Hygiene standards are higher in New Zealand, which receives no farm support, than in protected markets. Some of the worst food safety scares have occurred in the most protected markets.

Canadian statement:

The response of some traditional agricultural powers - particularly the U.S. and the European Union - has been to protect their farmers by introducing subsidies that shield them from lower commodity prices while encouraging production to remain high. Clearly, this approach is unfair and harmful, not only to our producers, but to those farmers in the developing world who have difficulty exporting their products even as their markets are flooded with cheap U.S. and European Union products.”

IFAP (International Federation of Agricultural Producers) in a letter from 12 July 2004 sent to the Ambassador Tim Groser, Chair of the WTO Committee on Agriculture Special Sessions, the IFAP stressed that it would be judging the adequacy of the WTO agricultural modalities paper on whether it met six critical objectives for farmers. These objectives are:

1. An improvement in world agricultural trade that brings real benefits to all farmers.
2. Significant progress and balanced commitments over all three pillars.
3. Sufficient flexibility in the modalities framework allowing countries to use the most appropriate instruments according to their specific national circumstances to meet agreed, measurable and equitable outcomes
4. Space for farmers to receive domestic support, so long as that support has no, or at most minimal distorting effects on production and trade.
5. Improvements in market access for all farmers, in particular those in developing countries and Least-Developed Countries.
6. Due prominence and recognition of the broad role that agriculture plays in many countries, ensuring not only food production but also many other function, including the sustainability of rural areas and environmental protection.”

Eco-social Forum Europe

In an “Eco-social Forum Europe” the former Austrian vice-chancellor Josef Riegler and the German professor in ordinary, Franz J. Radermacher touched the following corner pillars of a world-wide strategy against economic speculation and social distortion:

An eco-social market economy as propagated by the “Global Marshallplan” must pursue a world-wide principle of coherence and just as much a world-wide principle of social cohesion, regardless of more existing inequalities which obviously are very difficult to repair. But at present there are no more important principles or fundamentals. And parallel to that it also must be aimed at a global office for the control and supervision of cartels, because existing national authorities are not able to prevent the tremendous global power concentrations which already became established and continue to grow on global level and develop still mightier – a scenario which would be impossible on country level due to existing national laws.

Although, different, and sophisticated ideologies are listed above, business will have to find own way before qualitatively new idea is developed. But, business can loose if these ideas will not be monitored and proper measures taken. Both corrective action, and local solutions are discussed further.

Applicable Conclusions for Rape Market

Previous general discussions were concluded using experiences from transition of Czech farmers from planned environment on free World price market, and later to regulated EU market. Firstly, EU rape market situation specified. Secondly, certain hope is exposed to forces of external environment. Thirdly, consequences occurring without any help will arrive are discussed.

EU Support Scheme for Rape

Rape seed receives just indirect support compared to cereals in EU. There are three kinds of support:

-Rape is allowed to be grown on set aside land, which is subsidised, but only to the agreed amount one million ton of soy cake equivalent.

-Further, rape is entitled to be subsidised by EUR 45 per ha on restricted number of hectares.

-Rape oil for bio-diesel had zero consumption tax till year ago. Tax levels differ now by country in EU.

No intervention fund neither export refunds are needed for rape, and oil because processing fro both food oil, and bio-diesel is done, and partly supported in national based factories, which are often privatised, and sold to multinational capital.

Consistency between Volatility of Markets, Support Schemes, and Taxation Measures

High price of mineral fuels have opened new market potential for bio-fuels, especially for bio-diesel in first half of 2006. EU farmers expected to reject set aside subsidies, and support rape seed production for bio-diesel in new member states in central, and Eastern Europe by subsidy EUR 45 per ha on limited number of hectares. But, price of mineral fuels have dropped in second half of 2006 on the level of 2005. Till that time Government of Germany agreed growth scheme for consumption tax on bio-diesel. Czech Republic approved zero exemption from consumption tax on bio-diesel. Massive export resulted from these decisions.

Above mentioned examples from recent history show large volatility of markets, which decisions of politicians made even more serious. Let’s come back to the initial contradiction between legalistic, and free trade principals of World market regulation. Is it possible to co-ordinate national taxation policies? Is it possible to regulate price war between crude oil producers, and other energy producers? Does it make sense to tune trade barriers removals when such dramatic changes occur? It must be done otherwise all the hope in new land use for energy, and food production must be abandoned, and farmers will become unemployed.

EOA (European Oilseed Alliance) have discussed above mentioned taxation policy together with supply capability of EU farmers to investigate their competitiveness against imports. A potential to produce rape is evident as well as the will to import lacking vegetable oil for EU markets. Both Canola from Canada, and palm oil from Malaysia is produced in less regulated environment then is currently in EU. This is why they are imported to EU markets.

Green Policy for Farmers from Rich Countries who Lost High Property Value, and All who Have to Learn New Life Style on the Way

The question remains whether exports of oil from low income countries damage both their own farm employees, and EU farmers. The answer is that value of unemployment subsidy in is a cost of free trade. This cost should be compared with income improvement of farm worker in low income country who exported the product. Such balanced solutions should be incorporated into WTO schemes for trade harmonisation. Actually, states are responsible for compensation of tariffs decreasing. But, rich countries are afraid of isolated measures, which will not be applied, and favour competing states. The example of this is problem are refunds. EU reduced refunds, and waits for similar step from USA. WTO can do nothing with it now because it cannot handle voice of united low income states. Further measures less distorting free trade should be developed by rich countries now because impact on their producers is much more severe.

Brainstorming about above mentioned features of liberalization was organized by Group of Bruges. Small Romanian farmers expressed their will to stay at home, which will be complicated by EU entry. Then they join work force army marching World, probably. Problem of competitiveness of rape seed farmers is subject of meetings, and mission of organizations of rape seed producers, and processors. National Union of Oilseeds Growers and Processors proved that large scale production is a success factor for farmer. Recently, co-operation of producers and processors of oilseeds is recommended by European Oilseed Alliance. Czech Union of Oilseeds Growers and Processors, which already have established these product column relations, believes that the next step to be implemented is co-operation of rape seed producers, and processors with green parties.

Meeting of Czech Union of Oilseeds Growers and Processors have discussed different articles with special attention to direct combustion of oil in engines. It is expected that this new technology can strengthen local businesses. If this would happen income of sector stabilises, and will keep small farmers in their home rural area. Otherwise, just global farmers and companies in areas with monopoly best conditions will survive. That happened with farms in Czech Republic after collapse of planned system before EU accession.

Literature

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