



## The dumping rate of the UE-27 exported cereals in 2006

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The 27 February 2010, four French academic economists have been debating on agriculture in the France Culture's programme "The economy at stake": Jean-Christophe Bureau – the only agricultural economist, teaching at AgroParisTech –, Nicolas Baverez, Olivier Pastré and Dominique Plihon<sup>1</sup>. The two first have underlined that the EU was no longer subsidizing its agricultural exports, an assertion that the other two did not challenge. If this is an assertion largely circulated by the media – and corroborated by the fact that the export refunds have actually collapsed from €10.2 billion in 1993 to €5.9 billion on average from 1995 to 2000, €3 billion in 2005 and €26 million in 2008 –, this does not take into account the domestic subsidies to the exported products which have largely compensated the disappeared export refunds.

Let us illustrate this by the example of cereals in 2006, the last year for which the EU has notified to the WTO its agricultural domestic subsidies<sup>2</sup>, but we could have taken another product, the cereals being used only to illustrate the methodology. The other official data and documents on which this analysis is based are: the EU notifications of its agricultural subsidies to OECD<sup>3</sup>, the EU agricultural budget outturn of 2006<sup>4</sup>, various data on the DG Agriculture website<sup>5</sup>, the EU agricultural exports on Eurostat<sup>6</sup>, and other documents which will be quoted.

### **I – Calculation of the volume of the EU cereals directly and indirectly exported**

In 2006, over a production of 266.5 million tonnes (Mt), the EU-27 has exported 27.345 Mt or 10.26% of production. However these cereals exports have been made under several products: 1) 17.559 Mt of raw cereals and 9.786 Mt of cereals included in processed products, the coefficients by which we have to multiply these processed products to get their raw cereals equivalent being fixed in the annex 5 of the "*Commission Regulation (EC) No 1043/2005 of 30 June 2005 implementing Council Regulation (EC) No 3448/93 as regards the system of granting export refunds on certain agricultural products exported in the form of goods not covered by Annex I to the Treaty, and the criteria for fixing the amount of such refunds*"<sup>7</sup>; 2) 1.9947 Mt linked to the 1.499 Mt of exported wheat flour (to multiply by 1.33); 3) 0.046 Mt linked to the export of 37,763 t of flour of other cereals, of which: 28,076 t of maize flour (to multiply by 1.20 or 33,691 t of cereals); 5,654 t of rye flour (to multiply by

<sup>1</sup> <http://sites.radiofrance.fr/chaines/france-culture2/emissions/economie/>

<sup>2</sup> When we had completed this analysis we have discovered that the EU has just notified its agricultural domestic subsidies for 2006-07, put on the WTO website the 4 February 2010.

<sup>3</sup> [http://www.oecd.org/document/59/0,3343,en\\_2649\\_33797\\_39551355\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/59/0,3343,en_2649_33797_39551355_1_1_1_1,00.html)

<sup>4</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:071:0741:0743:EN:PDF>

<sup>5</sup> [http://ec.europa.eu/agriculture/agrista/2008/table\\_en/4114.pdf](http://ec.europa.eu/agriculture/agrista/2008/table_en/4114.pdf)

<sup>6</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

<sup>7</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2005R1043:20090707:EN:PDF>

1.37 or 7,746 t of rye), 1,036 t of rice flour (to multiply by 1 or 1,036 t of rice) and 2,997 t of flours of other cereals (to multiply by 1.20 or 3,596 t of barley and oats);

4) 0.502 Mt linked to the 0.396 Mt of exported groats and semolinas, of which: 157,154 t of groats and semolinas of soft wheat (to multiply by 1.37 or 215,301 t of soft wheat); 235,522 t of groats and semolinas of maize (to multiply by 1.20 or 282,626 t of maize); and 2,880 t of groats and semolinas of other cereals (to multiply by 1.275 or 3,672 t of other cereals);

5) 0.068 Mt linked to the export of 68,446 t of otherwise processed grains and of cereals germs;

6) 1.577 Mt linked to the export of 3.349 Mt of feedstuffs, according to the FEFAC's data<sup>8</sup>;

7) 4.064 Mt of cereals linked to the export of 2.288 Mt of malt, of which 2.261 Mt of non roasted malt, to multiply by 1.78 or 4.025 Mt of cereals (soft wheat and barley) and 26,291 t of roasted malt, to multiply by 1.49 or 39,174 t of barley;

8) 0.369 Mt of barley linked to the export of 2.173 Mt of beer, knowing that we need 17 kilos of barley to produce 14 kilos of malt allowing to make 100 litres of beer;

9) 0.488 Mt of wheat linked to the export of 0.107 Mt of wheat gluten (a tonne of gluten has been exported at €726 in 2006 against €159 for a tonne of wheat SRW06, or 4.56 times more expensive);

10) 0.508 Mt linked to the export of 0.419 Mt of whisky and of 0.203 Mt of vodka (of which about 75% come from cereals);

11) 1.590 Mt linked to the export of 2.062 Mt of cereals preparations (starch, biscuits, pastry, breads, etc.) where the average weight of flour is estimated at 60%.

## **II – Calculation of the subsidies attributable to the exported cereals**

We have to attribute to the exported cereals not only the subsidies specifically directed to cereals but also the part of non product-specific subsidies of the green box and of the amber box, knowing that cereals have accounted in 2006 for 10.1% of the whole agricultural production value<sup>9</sup> (against 13.6% in 2007).

**1) The subsidies specific to cereals:** export refunds, direct payments of the blue and green boxes and subsidies to cereals stockholding of the amber box.

a) The export refunds on cereals: for €206 M in 2006, of which €129 M in direct refunds to cereals and €77 M to cereals in processed products outside annex 1.

b) Direct payments: the fact that the majority of the blue box direct payments have been transferred to the allegedly green box Single Payment Scheme (SPS) since 2005 does not change anything to the fact that the SPS remains based on the average amount of blue box direct payments allocated from 2000 to 2002. Hence, despite that the SPS has been notified in the green box at €14.734 billion for 2005-06 (at €30.672 billion for 2006-07) and the blue direct payments to arable crops at only €7.256 billion Md€ (at €1.851 billion for 2006-07), which matters really are the average €14.465 billion of blue box direct payments to the EU-15 cereals from 2000 to 2002, including the share of the set aside payments attributable to the average production of 211 Mt of cereals. Indeed these blue box payments incorporated into the SPS remain fixed over time. As for the 12 new Member States of Eastern Europe (EU-12), they had produced 71 Mt of cereals in 2006 and, as they are in the Single Area Payment

<sup>8</sup> European Feed Manufacturers Federation, Statistical Yearbook 2006 ([www.fefac.org](http://www.fefac.org)).

<sup>9</sup> [http://ec.europa.eu/agriculture/agrista/2007/table\\_en/311.pdf](http://ec.europa.eu/agriculture/agrista/2007/table_en/311.pdf)

Scheme (SAPS), they have received in 2006 a direct payment of €70 per hectare<sup>10</sup>, which, multiplied by the 22.021 M ha of cereals in the EU-12, has represented €1.541 billion.

Therefore the direct payments to cereals have been of €16.006 billion in 2006 and those to the exported cereals of €1.642 billion (16.006 x 10.26%).

c) The subsidies on cereals stockholding: they have amounted to €335 million in 2006, hence to €34.4 M for those to the exported cereals.

Therefore the specific total subsidies to the exported cereals have reached €1.676 billion.

**2) The non product-specific subsidies attributable to cereals:** they concern the non product-specific subsidies of the amber box (or aggregate measurement of support) and the green box subsidies other than the SPS and SAPS and other than those attributable to the amber box but improperly notified in the green box.

a) The non product-specific (NPS) subsidies of the amber box:

1- €335 million of subsidies to agricultural insurances notified in the NPS AMS.

2- €388 million of subsidies on interests of agricultural loans notified to OECD, rather than the €337 million notified in the NPS AMS.

3- €3.620 billion of tax rebates on agricultural fuels notified to OECD but totally missing in the notification to the WTO, even in the green box. Yet this input subsidy must be taken into account according to Article 1 of the Agreement on subsidies and countervailing measures: *"1.1 For the purpose of this Agreement, a subsidy shall be deemed to exist if:... (ii) government revenue that is otherwise due is foregone or not collected (e.g. fiscal incentives such as tax credits)"*.

4- €3.326 Md€ of farm investment subsidies notified to OECD and part of the €7.305 billion notified in the green box under the heading of "Structural Adjustment Assistance provided through Investment Aids". Indeed article 6.2 of the WTO Agreement on agriculture (AoA) states expressly that *"Investment subsidies which are generally available to agriculture in developing country Members... shall be exempt from domestic support reduction commitments that would otherwise be applicable to such measure"*. Hence they are not exempt in the developed countries.

5- €806 million of irrigation subsidies, improperly notified in the green box. Indeed irrigation is an input and, in accordance with article 6.2 also of the AoA, *"Agricultural input subsidies generally available to low-income or resource-poor producers in developing country Members shall be exempt from domestic support reduction commitments that would otherwise be applicable to such measure"*. Hence they are not exempt in the developed countries.

6- €3.040 billion of subsidies to marketing and promotion of agricultural products, improperly notified in the green box. Indeed the AoA states in paragraph 4 of Annex 4: *"Policies directed at agricultural processors shall be included to the extent that such policies benefit the producers of the basic products"*; and also in paragraph 13 of Annex 3: *"Other non-exempt policies, including input subsidies and other policies such as marketing cost reduction measures"*.

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<sup>10</sup> [http://ec.europa.eu/agriculture/analysis/fadn/reports/hc0304\\_distribution\\_eu25.pdf](http://ec.europa.eu/agriculture/analysis/fadn/reports/hc0304_distribution_eu25.pdf). In fact Malta and Slovenia have opted for the SPS whereas Bulgaria and Romania have joined the EU only in 2007. However as the first two have received more than €70 per hectare and the last two less than €70 in pre-adhesion payments, by and large there is not much difference to take €70 for all new Members.

Therefore these €10.947 billion of NPS AMS subsidies are attributable to cereals for €1.106 billion ( $10.947 \times 10.1\%$ ) and to the exported cereals for €13.5 M€ ( $1.106 \times 10.26\%$ ).

b) The subsidies of the green box other than those of the SPA and SAPS and those attributable to the amber box: from the €40.280 billion notified in the green box for 2005-06 we must deduct €23.843 billion: 14.734 (SPS) + 1.937 (SAPS) + 0.806 (irrigation) + 3.040 (promotion and marketing) + 3.326 (farm investments). The actual green box falls to €16.437 billion of which €1.660 billion are attributable to cereals and €170.3 M (1.660 x 10.26%) to the exported cereals.

### **Conclusion: the dumping rates of the exported cereals in 2006**

Total subsidies to the EU-27 exported cereals in 2006 have reached €1.960 billion, within which the €206 million of export refunds have represented only 10.5% when the €1.754 billion of domestic subsidies to the exported cereals have represented 89.5%. As the value of the exported cereals has been of €3.583 billion – of which €2.301 billion for the 17.559 Mt of cereals exported raw, at 131 €/t on average, and €1.282 billion for the 9.786 Mt linked to the processed cereals. If we can deduct that the average dumping rate has been of 54.7%, the actual rates differ according to the degree of processing: 53.8% for the raw cereals and 56.2% on average for the cereals processed in other products, and we can again differentiate among these products. However, for the cereals processed into some products – feedstuffs, whisky and vodka, beer, gluten, various preparations (breads, biscuits...) and other transformations –, the dumping rates refer to the cereals included in the final products and not to those exported products themselves, as we have not been able to find their exported value so that we have only valued their cereals at the average price of the exported raw cereals in 2006: 131.04 €/t.

**The dumping rates of the EU-27 exported cereals in 2006**

Products	Mt équiv. exported cereals	M€ exported cereals	M€ refunds	% cereals/ product	% domestic subsidies/ exports	M€ subsidies/ exports	Dumping rate
Total	27.345	3583	206	100%	1754	1960	54.7%
Raw cereals	17.559	2301	113	64.21%	1126	1239	53.8%
Process. cereals	9.786	1282	93	35.79%	628	721	56.2%
Wheat flour	1.994	315.6	16	7.29%	128	144	45.6%
Other flours	0.046	22.7	1.8	0.017%	3	4.8	21.1%
Groats+semolina	0.502	86.2	5.2	1.84%	32.2	37.4	43.4%
Malt	4.064	571	34.2	14.86%	260.7	294.9	51.6%
Feedstuffs	1.577	206.7	12.4	5.74%	100.7	113.1	54.7%
Preparations	1.590	208.4	12.5	5.81%	102	114.5	54.9%
Whisky+vodka	0.508	66.6	4	1.86%	32.6	36.6	55%
Beer	0.369	48.4	2.9	1.35%	23.7	26.6	55%
Gluten	0.488	63.9	3.5	1.78	31.3	34.8	54.5%
Other transfor°.	0.068	8.9	0.7	0.025%	4.4	5.1	57.3%

Sources: Eurostat and and Commission Regulation (EC) No 1043/2005 of 30 June 2005

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