



The EU international commitments on SDGs and climate change must have precedence over the Blair House Agreement capping oilseeds production

(jacques.berthelot4@wanadoo.fr), SOL, November 21, 2018

In the European Commission (EC)'s draft Regulation of 1st June 2018 on Strategic plans for the next Common agricultural policy (CAP)¹, preamble 33 and Article 33 deal with the obligation for Member States to comply with the Memorandum of Understanding of June 1993 between the EEC (European Economic Community) and the US on oilseeds (known as the Blair House Agreement, BHA)².

In so doing the EC is short-sighted as it forgets that the EU has taken in 2015 much broader international commitments when it signed in 2015 the UN Sustainable Development Goals (SDGs) and promoted the Paris agreement on climate change, two complementary international commitments which should prevail over the BHA.

I – The EC should not confuse coupled support with crop-specific support: the case of the Blair House's constraints on capping oilseeds production

The BHA is capping the EU area sown in oilseeds (soybean, rapeseed, sunflower seed) when they receive *product-specific* (PS) support whereas the EC is saying that this cap applies to *coupled support* (CS) to oilseeds. But the two concepts, and their impacts, are quite different.

The EU coupled supports, particularly the voluntary coupled supports (VCS), are not restricted to PS supports. Even if Chapter 1 of Title IV, Articles 52 to 55, of the EU regulation n° 1307/2013 of 17 December 2013 establishing rules for direct payments to farmers lists the main products able to receive VCS, nevertheless VCS may also be granted to farmers who have at their disposal no eligible hectares for the activation of payment entitlements under the basic payment scheme. As the VCS are intended to be notified in the blue box their support must be fixed and capped.

However, as almost all products receiving VCS receive at the same time alleged decoupled payments – Basic Income Support for sustainability, complementary redistributive income support for sustainability, complementary income support for young farmers, schemes for the climate and the environment and single area base payment –, this has the unintended effect of coupling the decoupled payments as explained in part II of a previous paper³. Indeed, among many other reasons, because of the contradiction between the fact that blue box payments are granted "*under production-limiting programmes*" – which, incidentally, limits the reduction in prices, in contradiction with Annex 2 paragraph 1 – and the fact that decoupled payments allow to produce any product, of which those receiving VCS, otherwise they will not enjoy a full

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/DOC/?uri=CELEX:52018PC0392&from=EN>

² https://eur-lex.europa.eu/resource.html?uri=cellar:dec3add7-d659-4400-8585-b65a78f138b3.0004.02/DOC_2&format=PDF

³ *Alea iacta es: how Spanish olives will force a radical change of the CAP*, SOL, 7 November 2018, <https://www.sol-asso.fr/wp-content/uploads/2017/01/Alea-iacta-es-how-Spanish-olives-will-force-a-radical-change-of-the-CAP-7-November-2018.pdf>

production flexibility. Which is funny is that Article 52 of regulation 1307/2013 provides that *"In order to ensure efficient and targeted use of Union funds and to avoid double funding under other similar support instruments, the Commission shall be empowered to adopt delegated acts in accordance with Article 70 laying down:... b) rules on consistency with other Union measures and on the cumulation of support"*.

Not confusing coupled payments with PS payments is paralleled with not confusing decoupled payments with non PS (NPS) payments. Indeed most Annex 2 subsidies, that the EC considers and notifies as fully decoupled, are PS³.

Coming back to the issue of support to oilseeds and the constraints of the BHA, let us underscore that these constraints concern only the largest oilseeds (but not all: lupin, linseed, flaxseed, cotton seed) and not protein crops (pulses) and other legumes. However the notifications made in 2014 and 2016 by the EU Member States to the EC of their VCS are mixing these products⁴.

Above all, granting VCS to oilseeds does not imply that this support is PS. Indeed oilseed subsidies are not PS as they have been aligned on those to cereals in Regulation n° 1782/2003 of 29 September 2003 providing, in Article 37 and Annex VII, that they were transferred – together with subsidies to protein crops, linseed, flax and hemp grown for fibre, grass silage – to the single payment scheme at 63 euros per tonne multiplied by their average area of 2000 to 2002 and by the yield of cereals of 2002.

First conclusion: there is no BHA constraints and EC's Article 33 must be deleted. And this all the more than the EU has taken in 2015 much more important international commitments.

II – The EU international commitments on Sustainable Development Goals (SDGs) and climate change should prevail over the Blair House Agreement

Beyond Article 33 of the draft Regulation of 1st June 2018 on Strategic plans that the EC claims to have taken *"for the purpose of ensuring compliance with its international commitments"*, it should have first complied with the broader international commitments taken in 2015 when the EU signed the UN Sustainable Development Goals (SDGs) – particularly SDG 13 *"Take urgent action to combat climate change and its impacts"* –, and promoted the Paris agreement on climate change.

Indeed the EU bears a huge responsibility in its increasing dependency on imported oilseeds and meals, which would continue to grow with capping coupled supports to EU oilseeds because of the alleged BHA constraints.

Everybody knows that the EU original sin of most of its detrimental impacts since 1962 – not only on the environment but also on the intensive production of animal products and their massive dumping, with the concentration of farms and rural exodus – are due to having yielded to the US pressures in the Dillon round (1960-61) to import oilseeds duty free, which was confirmed in the EEC schedule of commitments to the GATT in 1993, and then to the BHA, after which the CAP reform of 2009 (Agenda 2000) reduced by 30% the coupled subsidies before decoupling them in 2003.

⁴ http://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/voluntary-coupled-support-note_en.pdf; https://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/voluntary-coupled-support-note-revised_en.pdf;

Table 1 shows the EU increasing dependency on oilseeds imports, particularly for feed use, and the insignificant contribution of the EU pulses to EU feed needs. We see that:

- imports of raw oilseeds accounted for 55.6% of EU28 production on average from 2014/5 to 2018/19;
- imports of oilseed meals accounted for 76.2% of EU production on average;
- soybean imports accounted for 77.6% of all oilseed imports on average;
- EU soybean meals production, including meal equivalent of raw soybean, accounted for only 6.2% on average of imports.
- imports of palm and soy oil (with that included in raw soybean imports) accounted for 9.758 Mt on average of which 6.984 Mt of palm oil

Table 1 – EU increasing dependency on oilseeds imports, particularly of soybean in meal equivalent

1000 t	2014/15	2015/16	2016/17	2017/18	2018/19	Average	18-19/14-15
EU oilseeds (soybean, rapeseed, sunflower seed) production and imports							
Production	35377	32067	31322	35126	31996	33178	-9.6%
Imports	15760	18742	19054	18600	20136	18458	+27.8%
Import/prod.	44.5%	58.4%	60.8%	53%	62.9%	55.6%	+41.3%
EU oilseeds meals (of soybean, rapeseed, sunflower) production and imports							
Production	28767	29579	29270	30819	30350	29757	+5.5%
Imports	22283	23810	22179	22680	22427	22676	+0.6%
Import/prod.	77.5%	80.5%	75.8%	73.6%	73.9%	76.2%	-4.6%
EU production and imports of soybean meals and soybeans in meal equivalent (79.2%)							
Production	1835	2371	2477	2671	2584	2388	+40.8%
" in meal equivalent	1453	1878	1962	2115	2047	1891	+40.9%
Imports	13190	14784	14051	14100	15500	14325	+17.5%
" in meal equivalent	10446	11709	11128	11167	12276	11345	+17.5%
Direct import of meal	18601	20185	18305	18800	18700	18918	+0.5%
Total meal import eq	29047	31894	29433	29967	30976	30263	+6.6%
Prod/imports meal eq	5%	5.9%	6.7%	7.1%	6.6%	6.2%	+32%
Imports of palm oil and soybean oil including oil equivalent of raw soybean (17,8%)							
Palm oil	6943	7121	6774	7100	6980	6984	+0.5%
Soybean oil	276	322	287	295	301	296	+9.1%
" in soybean imports	2334	2532	2615	2432	2478	2478	+6.2%
Total soybean oil	2610	2854	2902	2727	2779	2774	+6.5%
Total palm+soy oil	9553	9975	9676	9827	9759	9758	+2.2%
Share of pure protein in feed use of EU and total origins in oilseeds and pulses (field pea, broad bean, lupin)							
EU oilseeds	6.48	6.04	5.80				
Total oilseeds	20.53	21.59	21.17				
EU/total oilseeds	31.6%	28%	27.4%				
EU pulses (1000 t)	0.52	0.73	0.71				
EU pulses/EUoilseed	8%	12.1%	12.2%				
EU pulses/all oilseed	2.53%	3.38%	3.35%				

Source: https://ec.europa.eu/agriculture/market-observatory/crops/oilseeds-protein-crops/balance-sheets_en

This EU increasing dependency on imports of the oilseeds chain (seeds, meals, vegetable oil) has large detrimental impacts on the environment (large scale land degradation, deforestation and loss of biodiversity), eviction of farmers (land grabbing) for these large farms and exploitation of manpower of the exporting countries – mainly of South America for soybean and South East Asia (Indonesia and Malaysia for palm oil, but also from Colombia, without forgetting new plantations in Subsaharan Africa) – as well as in the EU given the overall positive impact of oilseeds on the EU environment, even if the production of pulses and other legumes (not concerned by the BHA) would be better but it is still very low.

Let us just quote extensively two remarkable reports on the impact of EU soybean imports and palm oil imports on the destruction of the environment in the exporting countries of Argentina and Brazil for soybean imports and mainly of Indonesia and Malaysia for palm oil. Indeed these imports are contradicting the EU commitments on SDGs and climate change and the necessity to take into account the impact of the EU oilseeds imports on international land use change (ILUC) outside the EU.

- First the impact on land area mobilized in Argentina and Brazil:

"Protein-rich products consumed in Europe are imported for 75%, of which 83% consists of soybean, from which again 60% comes from Brazil and Argentina... In 1961, the soybean area needed in Brazil and Argentina for the EU export was about 0.1 million ha and almost completely located in Brazil (99%). In 2008, the soybean area in both countries required for the EU export, increased to 11.8 million ha of which still the majority (53%) located in Brazil.

This explosive expansion of soybean area happened mainly within tropical grassland and savannah (2.2 million ha in Brazil and 4.5 million ha in Argentina) and tropical forest (4 million ha in Brazil; 1 million ha in Argentina)... About 6 million ha loss in permanent meadows and pastures could be attributed to the EU soybean import from Brazil and Argentina... Soybean imports are a considerable part of the total virtual import of cropland by Europe from Brazil and Argentina (about 40% of 51 million ha)⁵.

- Second, the impact on net environmental value losses in Argentina and Brazil:

"The Brazilian and Argentinian farming sector earns about 2.3 billion \$/y from the soybean export to Europe (11.7 million ha in 2008 (our calculation) and a net value of soybean area of 200 \$/ha/y).

For Europe, the cost for soybean import from Brazil and Argentina is about 10 billion \$/y (34 million ton in 2008 and a market price for soybean meal in 2008 of about 300 \$/metric ton). The benefit for Europe could be represented by the value of the European livestock sector fed with soybean; 145 billion \$ in 2008. This is the total value of the EU-27 livestock sector in 2008 (152 billion €, or 220 billion \$ (conversion rate 2008)) multiplied with the share of the livestock sector fed with soybean meal: 68%, in protein equivalent.

However, when considering the environmental consequences with effects on a global and long term scale our results demonstrate that soybean import might not be beneficial at all. For 2008, an environmental loss of 120 billion \$ was calculated. This confirms that agro-industrial benefits are often gained at the cost of the environment and future generations".

For palm oil imports from Indonesia and Malaysia:

For lack of time, let us just quote the very documented and interesting EU Parliament report "on palm oil and deforestation of rainforests" of 17 March 2017 by Kateřina Konečná of the Committee on the Environment, which, inter alia: "72. Calls on the Commission to ensure the coherence of and to boost synergies between the Common Agricultural Policy (CAP) and other EU policies, and to ensure that they are conducted in a manner consistent with programmes

⁵ Annelies Boerema, Alain Peeters, Sanne Swolfs, Floor Vandevenne, Sander Jacobs, Jan Staes and Patrick Meire, *Soybean Trade: Balancing Environmental and Socio-Economic Impacts of an Intercontinental Market*, 31 May 2016, <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0155222>

aimed at combating deforestation in developing countries, such as REDD; calls on the Commission to ensure that the CAP reform does not lead, directly or indirectly, to further deforestation and that it supports the goal of putting an end to global deforestation; calls on the Commission and the Member States to ensure that the environmental problems relating to deforestation caused by palm oil are also addressed in the light of the objectives set by the EU Biodiversity Strategy to 2020, which should be an integral part of the Union's external action in this area... 82. Notes with concern that 46 % of total palm oil imported by the EU is used for the production of biofuels and that this requires the use of about one million hectares of tropical soils; calls on the Commission to take measures to phase out the use of vegetable oils that drive deforestation, including palm oil, as a component of biofuels, preferably by 2020"⁶.

Final conclusion: not only the EU should delete the Article 33 of its proposals on Strategic plans for the next CAP but it should increase much its coupled subsidies to feed proteins (oilseeds and pulses) while reducing at the same time the decoupled payments and taxing the corresponding subsidized exports. In fact the EU should aim at reducing in the long run the EU production of oilseeds, as a consequence of reducing the production of biofuels from food crops, in favour of boosting the production of pulses and other legumes, as projected in the Solagro's Afterres2050 scenario⁷.

Annexes

Article 33 of EC's draft Regulation of 1st June 2018 on Strategic plans¹

Article 33

Implementation of the Memorandum of Understanding between the European Economic Community and the United States of America on oilseeds

"1. Where the coupled income support intervention concerns some or all of the oilseeds referred to in the Annex to the Memorandum of Understanding between the European Economic Community and the United States of America on oilseeds, the total of the support area based upon the planned outputs included in the CAP Strategic Plans of the Member States concerned shall not exceed the maximum support area for the whole Union for the purpose of ensuring compliance with its international commitments.

At the latest 6 months following the entry into force of this Regulation, the Commission shall adopt implementing acts fixing an indicative reference support area for each Member State, calculated on the basis of each Member State's share of the average cultivation area in the Union during the five years preceding the year of entry into force of this Regulation. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 139(2).

2. Each Member State that intends to grant coupled income support for oilseeds concerned by the Memorandum of Understanding referred to in paragraph 1 shall indicate the respective planned outputs in terms of hectares in its CAP Strategic Plan proposal referred to in Article 106(1).

If following the notification of all planned outputs by Member States the maximum support area for the whole Union is exceeded, the Commission shall calculate for each Member State that notified an excess compared to its reference area, a reduction coefficient that is proportionate to the excess of its planned outputs. This shall result in an adaptation to the maximum support area for the whole Union referred to in the paragraph 1. Each Member State

⁶ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2017-0066+0+DOC+XML+V0//EN>

⁷ <https://afterres2050.solagro.org/a-propos/le-projet-afterres-2050/>

concerned shall be informed about this reduction coefficient in the Commission's observations to the CAP Strategic Plan in accordance with Article 106(3). The reduction coefficient for each Member State shall be set in the implementing act by which the Commission approves its CAP Strategic Plan as referred to in Article 106(6).

The Member States shall not amend their support area on their own initiative after the date referred to in Article 106 (1).

3. Where Member States intend to increase their planned outputs referred to in paragraph 1 as approved by the Commission in the CAP Strategic Plans, they shall notify the Commission of the revised planned outputs by means of a request for amendment of the CAP Strategic Plans in accordance with Article 107 before 1 January of the year preceding the claim year concerned.

Where appropriate, in order to avoid that the maximum support area for the whole Union as referred to in the first subparagraph of paragraph 1 is exceeded, the Commission shall revise the reduction coefficients referred to in that paragraph for all Member States that exceeded their reference area in their CAP Strategic Plans.

The Commission shall inform the Member States concerned about the revision of the reduction coefficient at the latest before 1 February of the year preceding the claim year concerned.

Each Member State concerned shall submit a corresponding request for amendment of its CAP Strategic Plan with the revised reduction coefficient referred to in the second subparagraph before 1 April of the year preceding the claim year concerned. The revised reduction coefficient shall be set in the implementing act approving the amendment of the CAP Strategic Plan as referred to in Article 107(8).

4. With regard to the oilseeds concerned by the Memorandum of Understanding referred to in the first subparagraph of paragraph 1, Member States shall inform the Commission of the total number of hectares for which support has been actually paid in the annual performance reports referred to in Article 121."

EC's paper on "Oilseeds and protein crops in the EU" of October 2011⁸

"As a consequence of the decision taken in the context of the CAP Health Check in 2008 to abolish the specific payment for energy crops and the set-aside regime, there is no longer any restriction on the EU's oilseed area. In the absence of set-aside the clause concerning by-products from land subject to set-aside has no relevance.

In other words, although the Blair House Agreement remains in force, in the context of today's CAP there is no limit on EU production of oilseeds."

Extracts from USDA Gain report of 29 March 2018⁹ Blair House Agreement

"The 1992 Blair House Memorandum of Understanding on Oilseeds (or Blair House Agreement (BHA)) between the United States and the EU was included in the EU WTO schedule of commitments and resolved a General Agreement on Tariffs and Trade dispute over EU domestic support programs that impaired U.S. access to the EU oilseeds market. As noted earlier, there are no crop specific payments for oilseeds, the BHA is maintained but not in use."

⁸ https://ec.europa.eu/agriculture/sites/agriculture/files/cereals/factsheet-oilseeds-protein-crops_en.pdf

⁹

https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Oilseeds%20and%20Products%20Annual_Vienna_EU-28_3-29-2018.pdf