

***ICTSD/IPC/IFPRI Workshop on Draft
Agricultural Modalities***

**Implications for the European Union:
Domestic Support and Export
Competition**

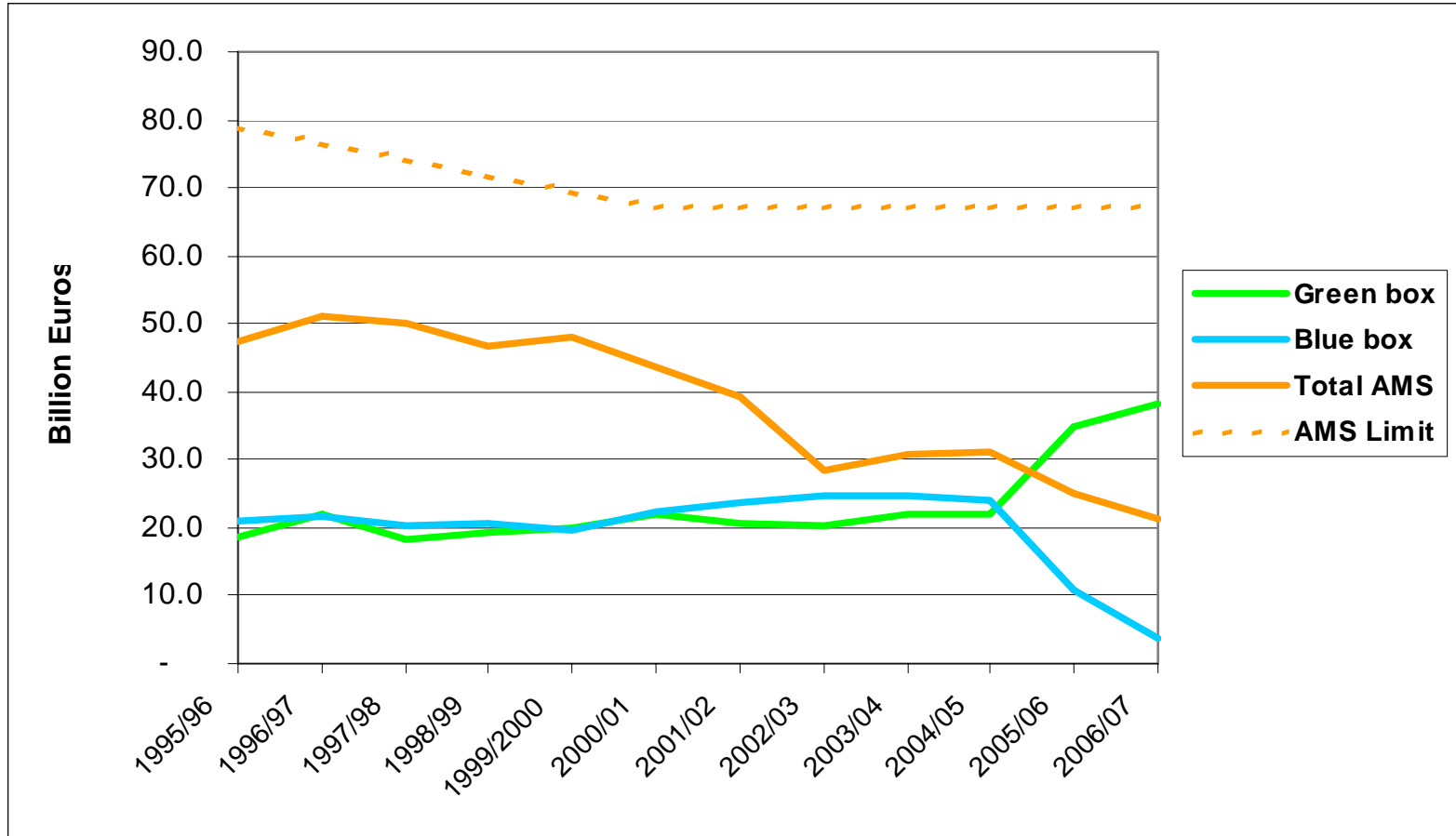
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Outline

- CAP and Domestic Support Disciplines
- Domestic Support Notifications
- Implications of Revised Draft Modalities for Domestic Support
- CAP and Export Competition Disciplines
- Export Competition Notifications
- Impact of Export Subsidy Elimination on CAP

EU Domestic Support Notifications



Implications of Revised Draft Modalities for Domestic Support

Item	Initial Values	Reduction
Overall Trade-Distorting Domestic Support (OTDS)	Base OTDS=Final Bound Total AMS+10 percent of the value of production in the base period (1995-2000)+average Blue Box payments in base period (a)	Base level reduction of [75] [85] percent. Initial reduction of 1/3 in first year: remaining reductions in five equal steps
Total Aggregate Measure of Support (AMS)	Base level is Final Bound Total AMS (from Uruguay Round schedules)	Base level reduction of 70 percent. Initial reduction of 25 percent in first year: remaining reductions over five years.
Product-specific AMS	Base level is average of 1995-2000	Base period levels not to be exceeded (b)
<i>De minimis</i>	Base level is five percent of value of production for non-product specific support and five percent of the value of production of products that receive product-specific support	Reduction of [50] [60] percent [from the start of the implementation period] [in five equal steps].
Blue Box		Capped at 2.5 percent of value of production in base period (1995-2000) applied from start of implementation period.
Product-specific Blue Box		Product specific caps at average value in 1995-2000 period (c).
Cotton AMS		Reduced by 74.29 percent in two years, with a 25 percent reduction in the first year

Table 3: OTDS, Total AMS, de minimis, and Total Blue Box Commitments for the EU under Revised Draft Modalities	
URA Final Bound Total AMS (million euro)	67,160.0
Value of Production (million euro)	222,576.5
10% value of production (1995-2000) (million euro)	22,257.7
5% value of production (1995-2000) (million euro)	11,128.8
Blue Box (in excess of 5% value of production) (a)	20,887.9
Base OTDS	110,305.6
OTDS (85% reduction) (million euro)	16,545.8
OTDS (75% reduction) (million euro)	27,576.4
DDA Final Bound Total AMS (70% reduction) (million euro)	20,148.00
AMS/production 1995-2000 (b)	21.5%
Total Blue Box	
2.5% value of production (1995-2000) (million euro)	5,564.41
Average Blue Box relative to Base OTDS (c)	19%
Cotton	
Base AMS for cotton (million euro)	752.7
Cotton AMS reduction (assuming 70% total AMS reduction) (d)	74.29
Note a: tests for Para 1 condition, picks up Blue Box when above 5% of production value	
Note b: this tests for application of paragraph 15, less than 40%, additional effort does not apply	
Note c: test for para 39: less than 40 percent so no phased reduction allowed	
Note d: Application of cotton reduction formula paragraph 55 for AMS	

Table 4: Phased Reduction of OTDS and AMS, and de minimis limits, EU, under Revised Draft Modalities

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Proportions of the base OTDS to be cut						
OTDS (85% reduction) (a)	0.33	0.43	0.54	0.64	0.75	0.85
OTDS (75% reduction) (a)	0.33	0.41	0.50	0.58	0.67	0.75
AMS (25% initial; 70% total reduction)	0.25	0.34	0.43	0.52	0.61	0.70
Cotton AMS (25% initial, 74.29% total) (c)	0.25	0.74	0.74	0.74	0.74	0.74
Scheduled Limits						
OTDS (85% reduction) (million euro)	73,904.7	62,432.9	50,961.2	39,489.4	28,017.6	16,545.8
OTDS (75% reduction) (million euro)	73,904.7	64,639.1	55,373.4	46,107.7	36,842.1	27,576.4
AMS (25% initial; 70% total reduction) (million euro)	50,370.0	44,325.6	38,281.2	32,236.8	26,192.4	20,148.0
Cotton AMS(25% initial; 74.29% total) (million euro)	564.6	193.6	193.6	193.6	193.6	193.6
De minimis						
50% immediate reduction de minimis	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
60% immediate reduction de minimis	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
50% phased (5 year) reduction de minimis	4.5%	4.0%	3.5%	3.0%	2.5%	2.5%
60% phased (5 year) reduction de minimis	4.4%	3.8%	3.2%	2.6%	2.0%	2.0%
Note a: Initial reduction of one third, with remainder phased-in in five equal steps (paragraph 5)						
Note b: Initial reduction of 25%, with remainder phased-in in five equal steps (paragraph 15)						
Note c: two year phase in period for cotton, with higher total reduction percentage						

EU domestic support and DDA potential limits

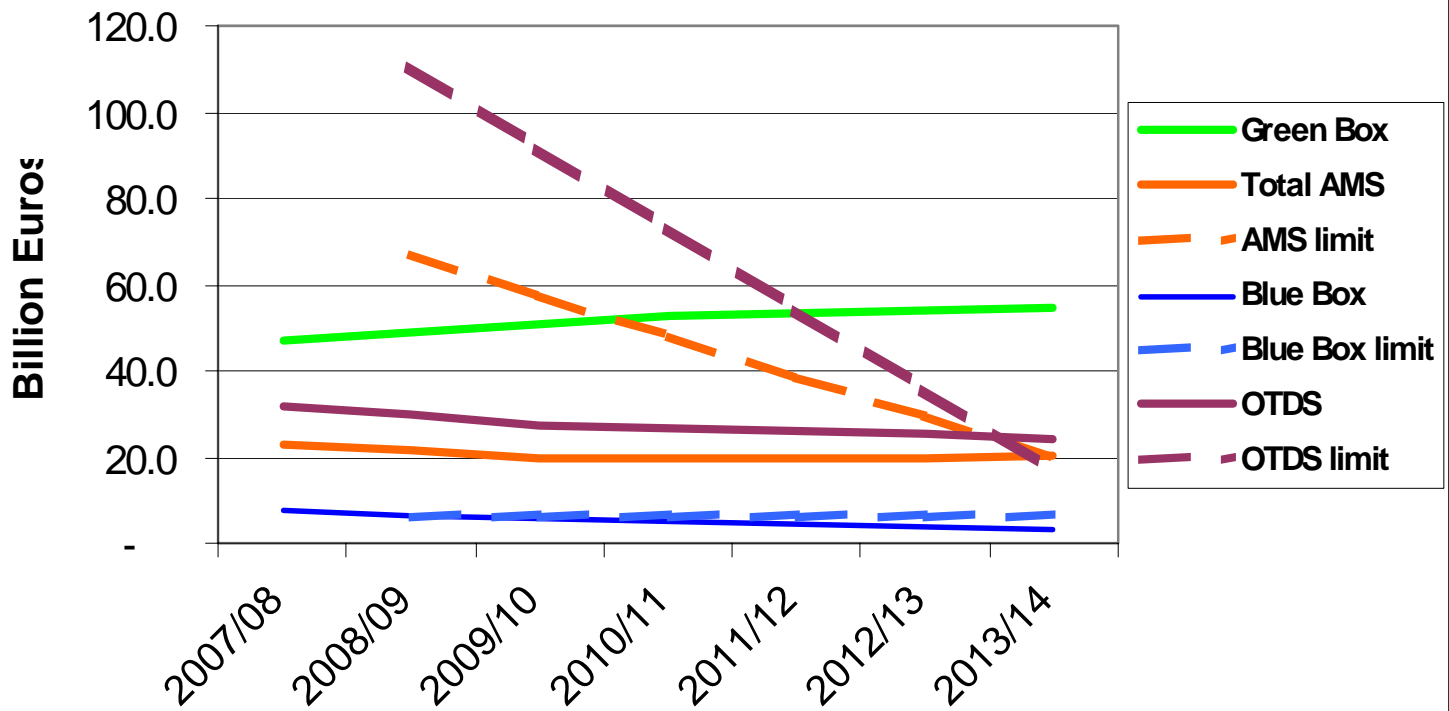


Table 5: Product-specific AMS bindings, EU, under Revised Draft	
Modalities	Average AMS
	1995-2005
	million euro
Common wheat	2,783.58
Durum wheat	0.00
Common wheat, maize, barley, rye, triticale, grain sorghum	0.00
Barley	2,509.05
Maize	904.92
Rye	297.28
Oats	9.93
Sorghum	19.53
Triticale	211.38
Rice	463.68
White sugar	5,852.03
Skimmed milk powder	1,561.52
Butter	4,287.62
Milk	0.00
Beef	13,154.75
Pigmeat	0.03
Dried fodder	304.73
Chick-peas, lentils and vetches	69.77
Olive oil	1,909.92
Tobacco	962.37
Bananas	225.97
Apples	2,155.00
Pears	622.15
Apricots	123.80
Cherries	136.12
Peaches/Nectarines	439.47
Table grapes	247.12
Plums	76.58
Lemons	359.17
Clementines	188.13
Mandarins	48.20
Satsumas	31.57
Oranges	389.50
Cucumbers	567.67
Courgettes	152.48
Artichokes	184.87
Tomatoes	3,146.40

Table 5: Product-specific AMS bindings (contd.)	
Product	Average AMS 1995-2005 million euro
Wine	1,711.12
Ethly alcohol of agricultural origin	0.00
Seed for sowing	99.65
Hemp	14.47
Flax fibre	101.27
Silkworms	0.37
Hops	14.60
Cotton	752.73
Cauliflower	2.83
Aubergines	0.00
Fruit and vegetables not mentioned in R2200/96	0.25
Asparagus	0.00
Citrus fruit for processing	150.10
Lemons for processing	37.17
Tinned pineapple	4.32
Peaches for processing	68.72
Plums for processing	32.60
Pears for processing	32.18
Figs for processing	5.37
Tomatoes for processing	340.52
Grapes for processing	60.97
Potatoes for processing to starch	0.00
Total product-specific AMS	47,825.50

Table 6: Product-Specific Blue Box bindings, EU, Revised Draft Modalities	
	Average 1995-2000 million euro
Payments- fixed area and yields	
Maize payments	1,206
Other cereals	9,404
Oilseeds payments	2,126
Pulses payments	548
Flaxseeds payments	147
Set-aside compensation	1,640
Durum supplements	1,020
voluntary set-aside payments	0
silage payments	10
rice payments	60
<i>total crop payments</i>	16,161
Livestock payments - fixed number of head	
Suckler cow premium	1,876
Special beef and veal premium	1,352
Slaughter premium	82
Beef supplemental payments	25
Deseasonalization premium	22
Ewe and goat premium	1,370
<i>Total livestock payments</i>	4,727
TOTAL BLUE (notified)	20,888

Export Competition Notifications

Table 7: Export Subsidy Outlays and Quantities Exported with Subsidies: Amounts Notified and WTO Ceiling Commitments, and Food Aid Quantities, 2002/03

<i>Product</i>	<i>Outlays (million euro)</i>	<i>Commitment (million euro)</i>	<i>Quantity (thousand tons)</i>	<i>Commitment (thousand tons)</i>	<i>Food Aid (thousand tons)</i>
Wheat and wheat flour	141.2	1289.7	12055.3	14438.0	406.0
Coarse Grains	167	1046.9	6259.3	10843.2	86.5
Rice	24.9	36.8	127.7	133.4	42.3
Rapeseed	0	27.7	0	103.8	0
Olive Oil	0	54.3	0	115	0
Sugar (a)	292.5	499.1	600.5	1273.5	16.7
Butter and butteroil	545.1	947.8	292.0	399.3	0.3
Skim milk powder	163.0	275.8	220.2	272.5	0
Cheese	267.7	341.7	317.0	321.3	0.6
Other Milk products	596.2	697.7	833.4	958.1	0.6
Beef	285.1	1253.6	358.6	821.7	8.6
Pigmeat	14.6	191.3	61.0	443.5	0
Poultry	90.5	90.7	247.4	286.0	0
Eggs	5.1	43.7	59.5	98.8	0
Wine	17.9	39.2	2096.0	2304.7	0
Fresh F&V	15.3	52.8	711.0	753.4	0
Processed F&V	3.1	8.3	66.9	143.3	0
Tobacco (raw)	0	40.2	0	110.8	0
Alcohol	90.4	96.1	850.0	1147.4	0
Incorporated products	413.6	415.0	-	-	18.8

Impact of Export Subsidy Elimination on CAP

Item	Agreement	Implementation
Export Subsidies	Eliminate remaining scheduled export subsidies by end 2013	<p>Budgetary outlays reduced by 50 percent by end 2010 in equal installments, and reduced to zero in equal installments by end 2013</p> <p>Quantities eligible for subsidy [reduced in equal installments] [applied as a standstill over implementation period at lower of current levels or bound levels reduced by 20 percent]</p>
Export credits	Terms and Conditions	<p>Maximum repayment term for export financing 180 days (a);</p> <p>Export credit guarantee, risk insurance, and other risk coverage programs to be self-financing;</p> <p>Least Developed and Net Food Importing Developing Countries allowed a repayment term of 360 days for the acquisition of basic foodstuffs</p>
Food Aid	Guidelines for food aid and additional monitoring: classification of different types of food aid	<p>Food Aid to be (i) Needs-driven; (ii) given in grant form; (iii) not linked to exports or market development; and (iv) not re-exported.</p> <p>In-kind food aid needs to take into account local market decisions.</p> <p>Emergency food aid follows declaration of emergency and an assessment of needs: no monetization of such food aid.</p> <p>Non-emergency food aid should be based on a needs assessment and minimize commercial displacement: monetization of non-emergency food aid would be [prohibited] [restricted].</p>
Exporting State Trading Enterprises	Eliminate trade distorting practices by exporting STEs	<p>Eliminate export subsidies, government financing and government underwriting of losses provided by or to STEs;</p> <p>[and eliminate the use of export monopoly powers by STEs by 2013]</p> <p>(Note: No such STEs notified by EU)</p>