

Reform of the Agricultural Policy in the EU

Reasons and Consequences for Oil Seeds

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Outline

- **CAP - Reform**
- **Implementation in Germany**
- **Change of the EU - Policy**
- **Non food and biofuels**
- **Biodiesel in Germany and potential in Europe**
- **Conclusion**

CAP-Reform

- **Single decoupled farm income payment from 2005 onwards**
 - Arable crops
 - Beef and veal
 - Sheep and goats
 - Milk (from 2006/07)
 - sugar beet (new proposal in 2005)
- **Cross-Compliance**
 - Reduction of direct payments
 - According to environment, food safety, animal health and welfare
- **Modulation**
 - 3 %, from 2005 onwards 5 %
 - Franchise of 5000 EUR/farm
 - Used for rural development

Implementation of the CAP-Reform in Germany

- **Starting Jan 2005 with a Hybrid Model**
- **Interim Period until 2009 and changing until 2013**
- **Regional Model from 2013 on with uniform Premiums for Arable and Grass Land**
- **Total decoupling**

Hybrid Model Germany (I)

Regional Model

- Arable crops
 - Seeds
 - 75% decoupl. starchpotatoes
 - decoupled hops
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- Beef cattle
 - national supplement beef cattle
 - 50% extensification beef cattle

Arable
land

Grass
land

Acricultural
area

Standard Model/Historical

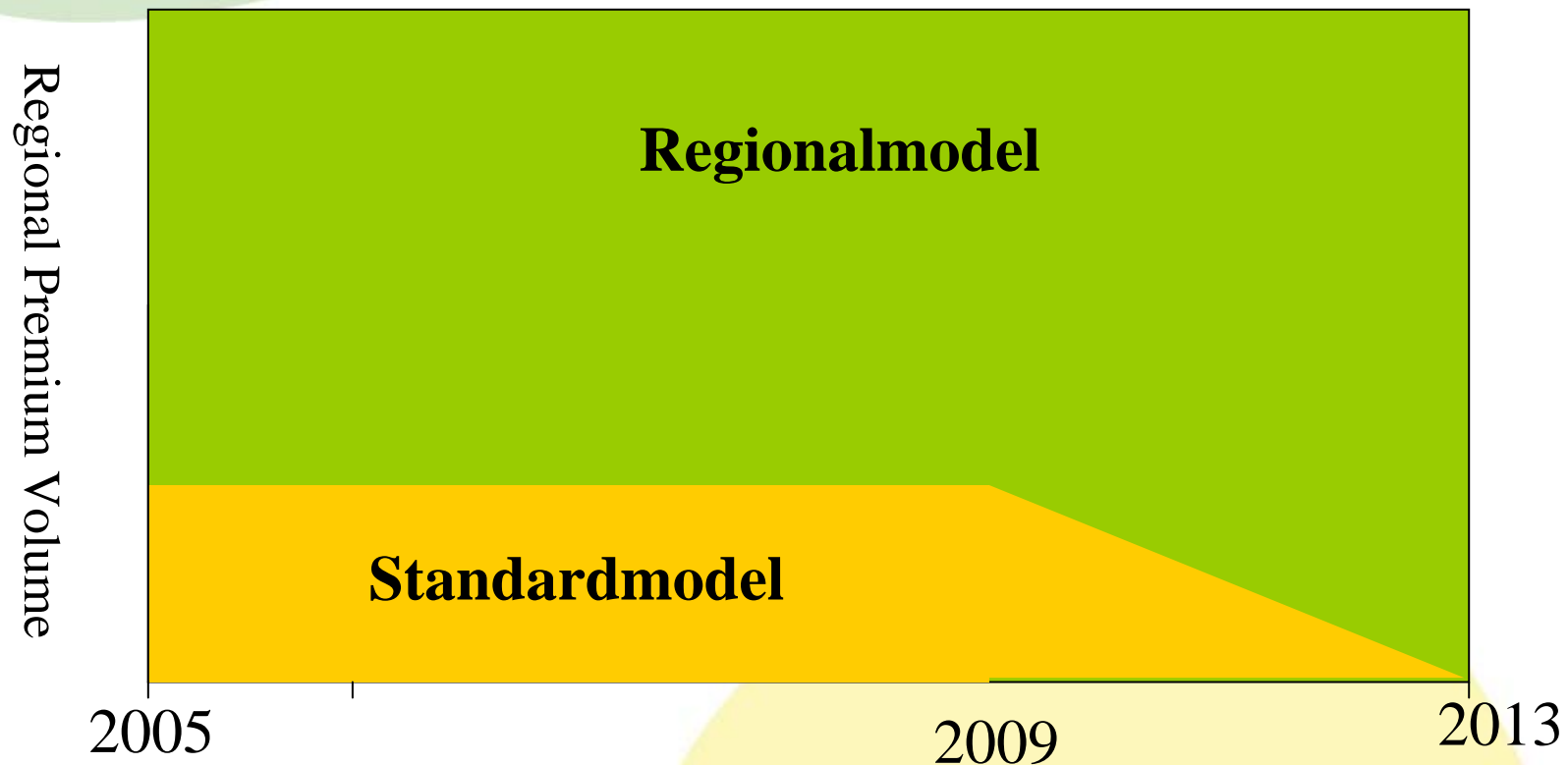
- Milk
- Suckler cows
- Ewes
- Bulls
- Calves
- decoupled dried fodder
- 25% decoupl. starch potatoes
- decoupled tobacco
- 50% extensificat. beef cattle

Hybrid Model Germany (II)

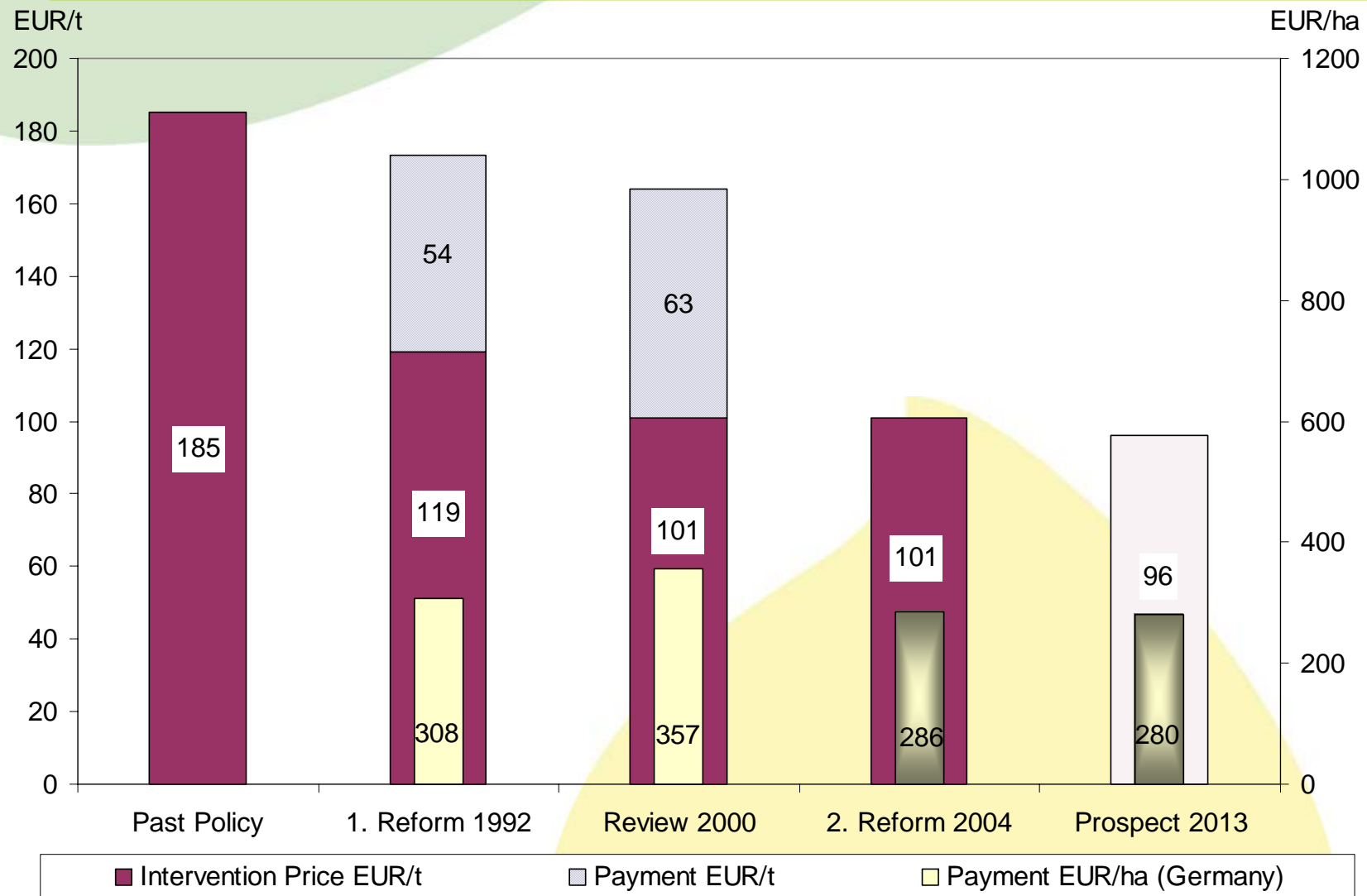
Premium EUR/ha without Reduction (Modulation+Degression)

Country	AL/2004 ¹⁾	AL/2005	GL/2005	AA/2013
Schleswig-Holstein	429	324	85	360
Niedersachsen	(336)	259	102	326
Nordrhein-Westfalen	366	283	111	347
Hessen	347	326	47	302
Rheinland-Pfalz	301	288	50	280
Baden-Württemberg	324	317	56	302
Bayern	348	299	89	340
Saarland	276	296	57	265
Brandenburg	285	274	70	293
Meckl.-Vorpommern	343	316	61	322
Sachsen	392	321	67	349
Sachsen-Anhalt	387	337	53	341
Thüringen	386	338	61	345
Average Germany	357	301	79	328

Hybrid Model Germany (III)



Change of the EU-Policy - Exemplary for Cereal



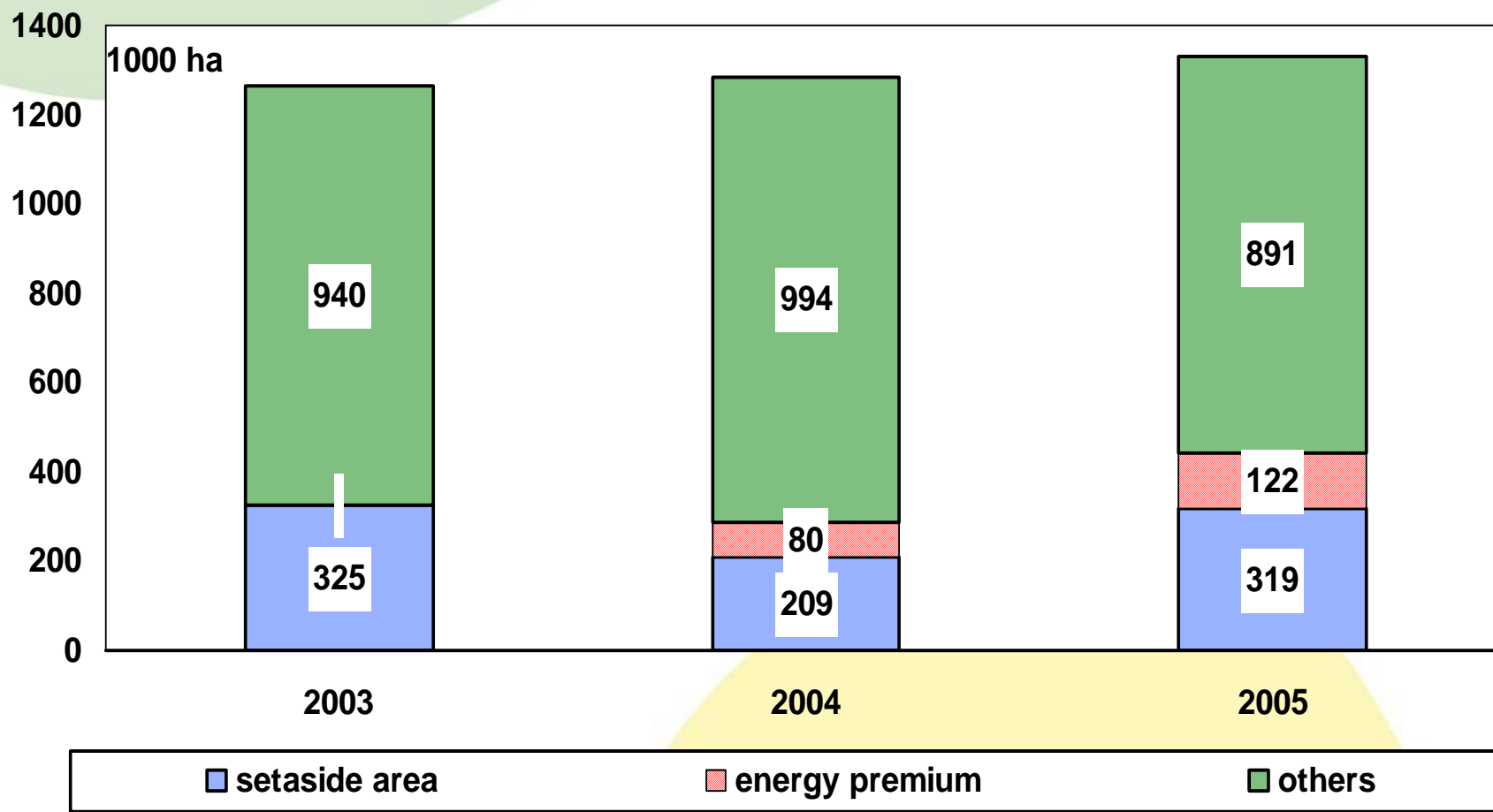
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(Calculation 2.Reform and Prospect: $301 - 5\% = 286$ EUR/ha and $328 - 5\% - 10\% = 280$ EUR/ha)

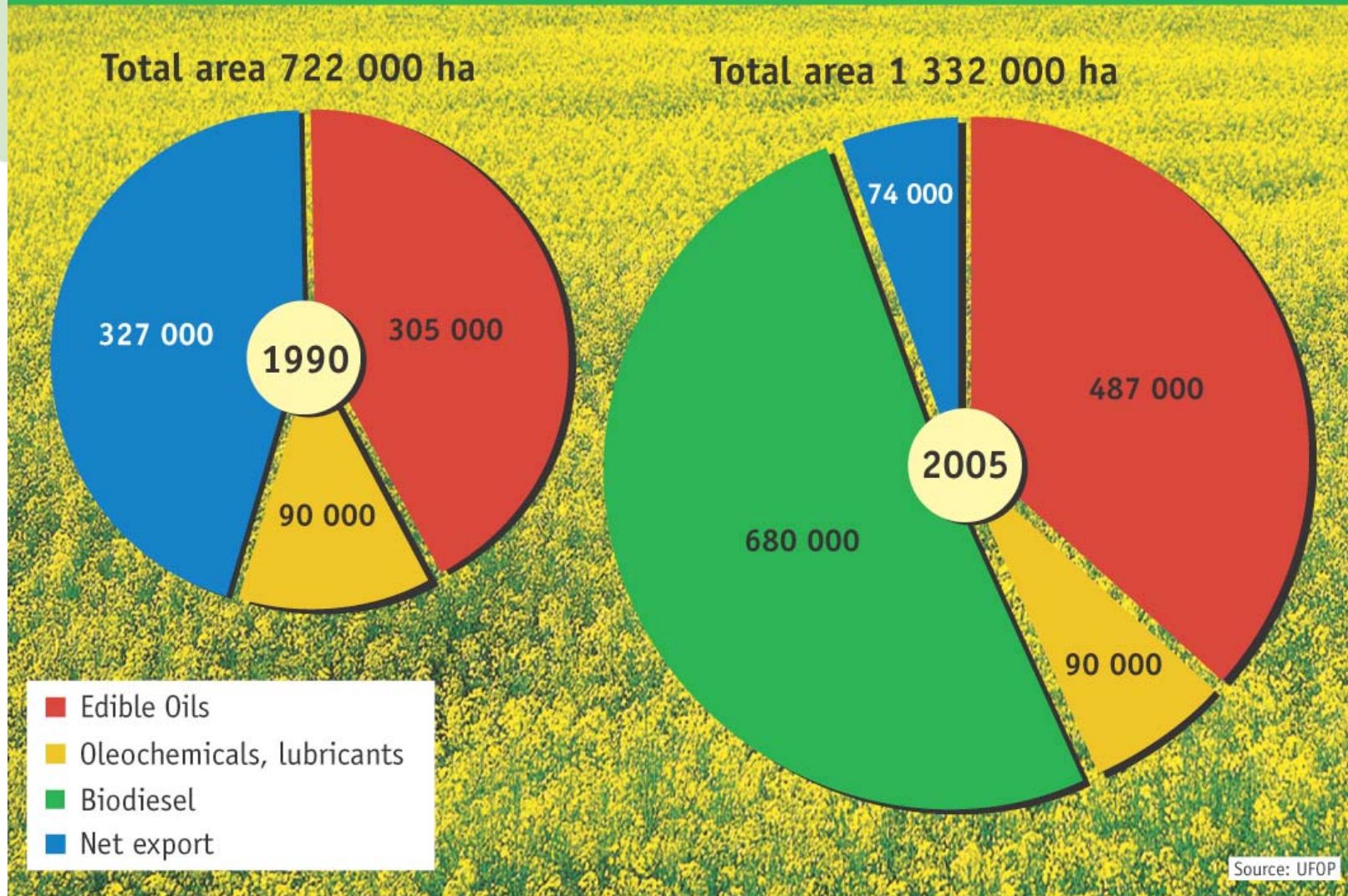
Regulation for non food and biofuels

- **On set aside land**
 - Production under contract
 - Blair house agreement: max 1 Mill. t Soy-meal-equivalent (EU 25)
 - 320 000 ha in the year 2005 (Germany)
- **Not on setaside land**
 - „Top up“ 45 EUR/ha Energy premium
 - Contract with Oilcrusher
 - Guaranty area max 1,5 Mill. ha (EU 25)
 - 121 000 ha in the year 2005 (Germany)
- **Directive biofuels**
 - Reduce greenhouse emission
 - Target quantity 5,75 % till 2010
 - Mineral oil tax encourage/credit for blends and 100 %
 - No overcompensation

Rapeseed area in Germany

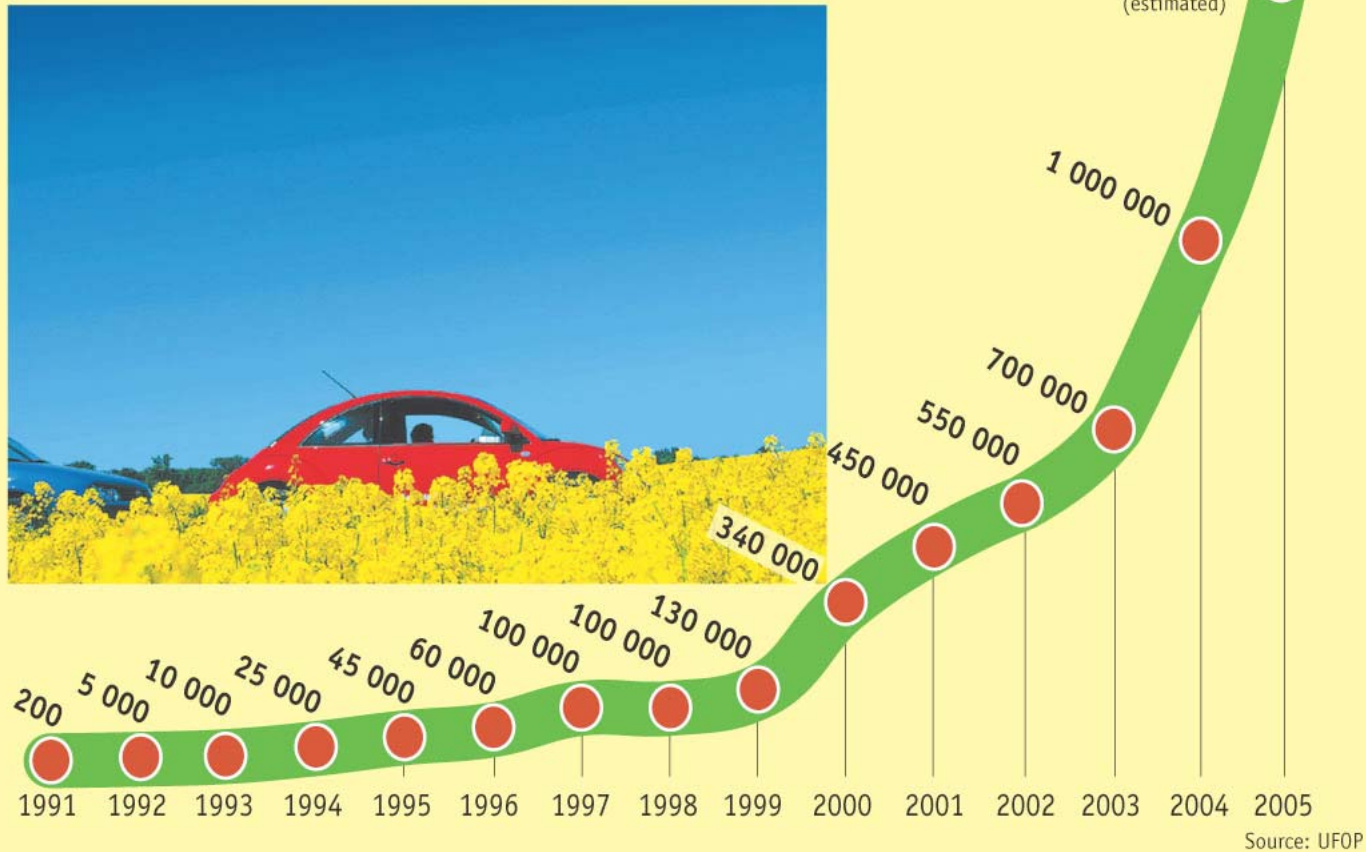


Rapeseed oil in area segments in 1990 and 2005



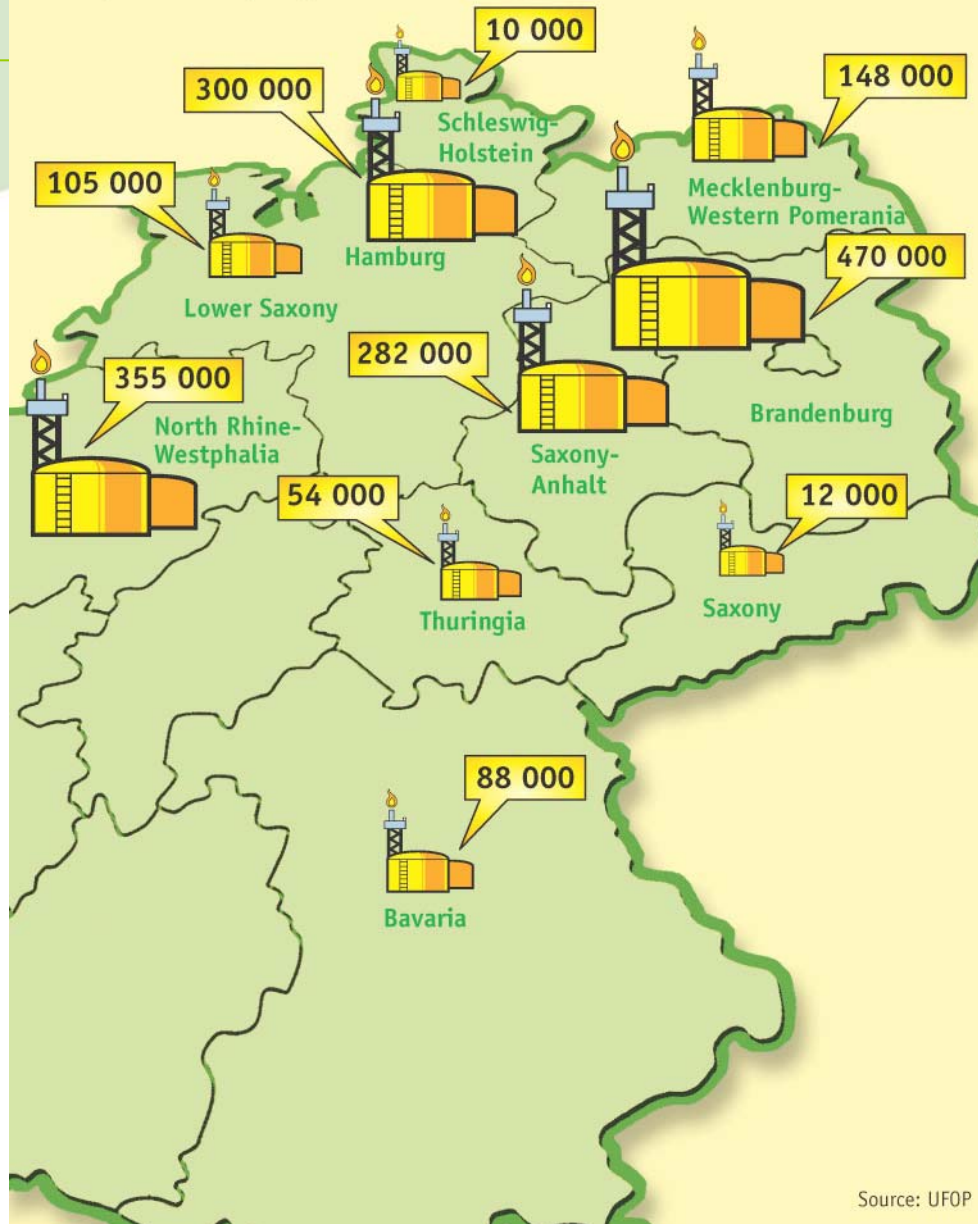
The green tide is rolling in

Biodiesel sales in Germany, 1991 – 2005 in tonnes



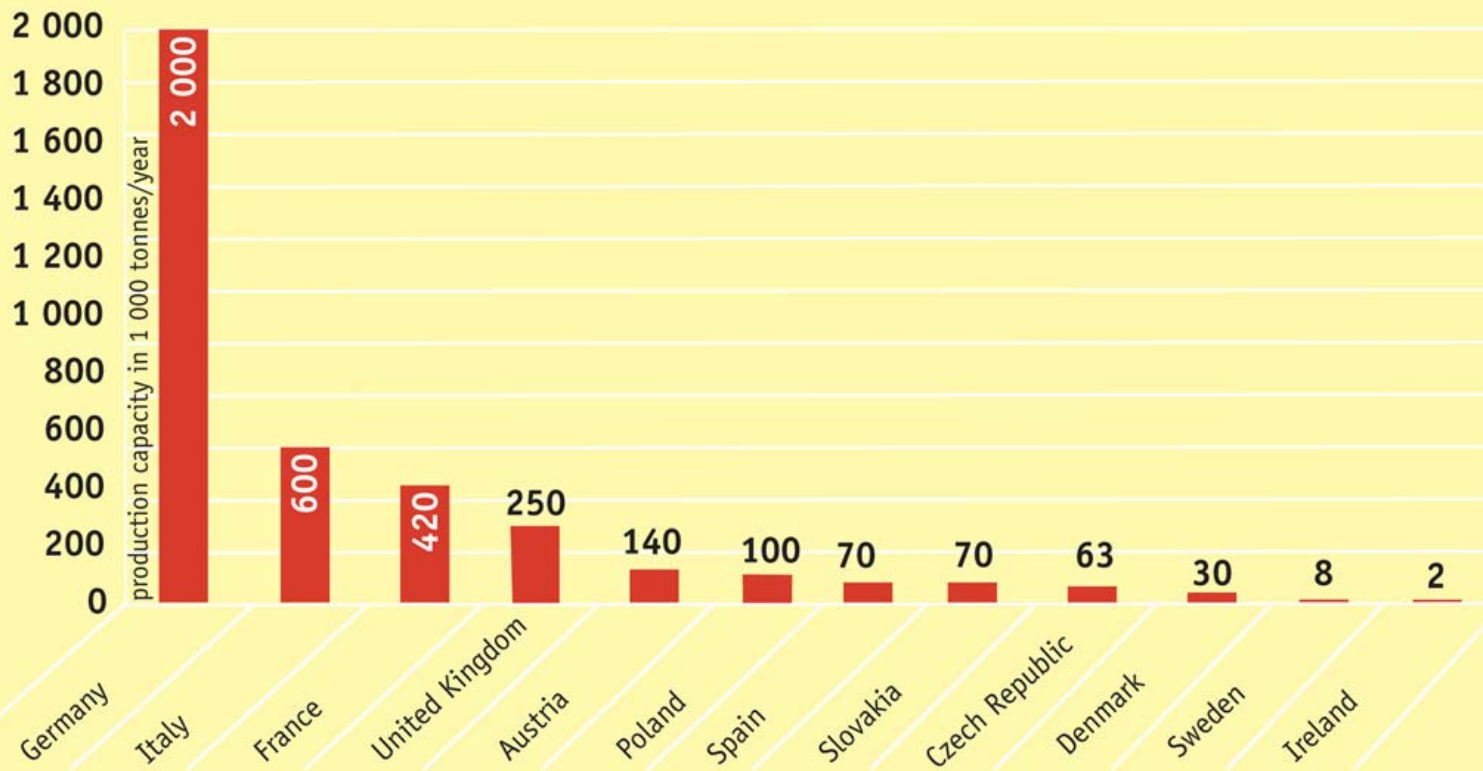
Biodiesel capacity in the year 2006

total production capacity 2 033 000 tonnes/year



European biodiesel production capacity 2005/06

total production capacity: 3 700 000 t/a (average yield/ha: 1,4 t Biodiesel -> 2,6 Mill. ha)



Source: UFOP

EU-Directive for Biofuels – EU 25

	2005	2010
Target Quantity	2 %	5,75 %
Consumption of Diesel ¹	158,6 Mio. t	165,0 Mio. t ⁴
Demand of Biodiesel ²	3,7 Mio. t	11,0 Mio. t
Area demand ³	2,6 Mio. ha	7,9 Mio. ha
Consumption Gazoline ¹	124,8 Mio. t	113,6 Mio. t ⁴
Demand of Bioethanol ²	3,7 Mio. t	9,7 Mio. t
Area demand ³	1,9 Mio. ha	4,8 Mio. ha
Total Area	4,5 Mio. ha	12,7 Mio. ha

¹ Source: EUROSTAT

² Basis: Heating value of Diesel: 43 MJ/kg, Heating value of Biodiesel: 37 MJ/kg, Heating value of gazoline 40 MJ/kg, Heating value of Bioethanol 27 MJ/kg

³ Yield of Biodiesel 1,4 t/ha (Rape), Yield of Bioethanol 2 t/ha (Cereal)

⁴ Consumption of Gazoline -9 %, Consumption of Diesel +4%

EU Rapeseed Area Potential (Mio ha)

	Rapeseed Area 2004	Arable Land a) 2002	Potential a) 15 %
EU 25	4,3	76,3	11,4
Thereof:			
Germany	1,3	11,8	1,8
France	1,1	18,4	2,8^b
Poland	0,5	13,9	2,1
United Kingdom	0,5	5,7	0,9

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a) Without Spain, Portugal, Italy and Greece,

b) Including Sunflower

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Conclusion for farmers

Cut costs with rape in the crop rotation (EUR/ha)

- **Additional yield of wheat after rape** **85**
- **Savings through no-till cultivation** **15-25**
- **Savings on fertiliser and pesticides** **30-40**

- **Total value of previous crop** **130-150**

Optimise production of rape

- **Target is 5 tons rape**

Conclusion for the UFOP – Service

- **Results of the UFOP research**
- **Current market information**
 - Monthly report "Oilseeds and Bio-fuels" to download
 - Weekly listings by Internet
 - Recommendations for spring and autumn sowing
- **Optimisation of agricultural production**
 - Rape
 - Sunflower
 - Seed legumes
 - Variety tests and recommendations
- **Increase in feed use**
- **Biodiesel and biofuels**
- **Edible rape oil and nutritional evaluation**
- **Publicity work**

www.ufop.de

Conclusion for the Policy

- **National Agricultural Policy**
 - 2nd pillar, rural development and environmental programmes
 - Risk insurance for yield losses
 - Protection of tax relief for biofuels
 - Expansion of research into biofuels
 - Coexistence also for GMO rape
- **European Agricultural Policy**
 - Harmonisation of support for biofuels
 - Action plan for an increase in European protein production
 - GMO threshold values for seed
- **World Trade Round WTO**
 - Protection of the decoupled single farm payment
 - Abolition of the Blair House limit, 1 million t soya meal equivalent
 - Abolition of loan-rate support in the USA

Contact

UFOP

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