



PFP VIEWS ON “FUTURE TRADE POLICY”

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➤ PFP Main Activities

- *Primary Food Processors represent the first-processing sectors of agricultural raw materials. Industries in these sectors transform agricultural raw materials into vital ingredients to be sold to the second transformation sectors in food, feed and non-food applications.*
- *Annually, the Primary Food Processors use some 220 million tonnes of agricultural raw materials of cereals, sugar beet, oilseeds, vegetable oils, starch potatoes etc. and employ over 120 000 people in Europe.*
- *Primary Food Processors (PFP) is composed of five trade associations (AAF, CEFS, FEDIOL, European Flour Millers, EUVEPRO) representing manufacturers of flour, starch, sugar, vegetable protein, vegetable oil and protein meal products.*

➤ Priorities for Future Trade Policy

1. **Sustainable raw materials’ availability and supply** is the main concern of PFP members, who strive to secure stable and regular access to quality and safe raw materials in sufficient quantities. High-quality and safe raw materials are essential for achieving high-quality end products. European primary food processors are keen to use EU raw materials whenever possible; however the vegetable oils sector in particular has a structural need for imports of raw materials from third countries.
2. **Ensuring consistency between the objectives of the various EU policies**, in particular regarding internal and external matters (CAP and the EU’s agendas on trade, development, the environment and climate change) and taking into consideration the agricultural policy reforms and the consequences on employment.
3. The implementation of a **true level playing field** and the eradication of distortive trade practices.

➤ Trade and Multilateralism

- **PFP members favour multilateralism** over a myriad of bilateral agreements which are currently being negotiated with different parts of the world. At the multilateral level, the EU has made significant concessions, thus negotiation and conclusion of FTAs should not undermine the progress of the multilateral talks.
- **Differential Export Taxes** are a systemic problem and should be addressed within the framework of multilateral trade negotiations. In the absence of a multilateral solution, the EU should eliminate such taxes in the context of bilateral trade agreements.

➤ Free Trade Agreements and Mercosur

- Agreements with Peru/Colombia and Central America have been concluded with concessions on agriculture. Some of our industries see with very much **concern the EU decision of resuming Mercosur negotiations** which represent a major challenge and could have important harmful consequences on the competitiveness and sustainability of PFP sectors and on employment.

➤ **Trade and Common Agriculture Policy (CAP)**

The CAP should be given high consideration in the future trade policy. Among the priorities indicated by PFP for the CAP we can underline:

- **A level playing field.** When supplying the EU market, regardless of the origin of the raw material, EU competitors and the EU first processing industry should be on a level playing field. Competitiveness and sustainability are linked. Sustainability within the EU requires meeting very strict standards socially, environmentally and economically.
- **EU supply management and safety nets.** PFP believes that transparent and predictable supply management systems are needed. Safety nets should be maintained to deal with increasingly unpredictable and volatile EU market conditions.
- The EU should consider how best to contribute to stabilising markets and **avoid extreme price volatilities.**
- **EU Market balance.** Depending on the net balance of each market- be it in structural deficit or in time of crisis- it is essential to maintain an imports management policy which enables the EU to achieve its objectives for food security and sustainability, as well as accommodating the balance of past EU reforms outcome. The EU should pursue a responsible imports policy in including a sustainable level of import tariffs and adequate protection against extreme volatility.

➤ **Trade and supply of raw materials**

- PFP industries are mainly supplied with European agricultural raw materials and many rely on the local availability of the agricultural raw materials they process. However, over time and after substantial EU agricultural reforms, the EU has increased its imports of raw material from third countries and is no longer self-sufficient for a range of commodities (sugar, oilseeds, etc.). Whereas the EU sugar and flour milling sectors supply approximately 80-85% of EU food needs with domestic production, in the EU Oilseed sector the figure amounts to 63% and depends on non EU countries for 37% of its supply. In case of shortages of agriculture raw materials (such as maize), access to imports is vital for certain EU areas, regions or countries.

➤ **Trade and environment**

- Generally speaking, **environmental constraints in the EU are more stringent than in other countries.** For example many PFP companies are covered by the Emission Trading Scheme Directive. Primary Food Processors companies will incur significant costs in paying for greenhouse emissions from 2013 onwards creating a real risk of carbon leakage, i.e. the relocation of polluting activities to third countries where environmental constraints are not as stringent.

➤ **Trade and Development**

- EU is the biggest importer of goods from developing countries. The Everything But Arms (EBA) initiative provides Duty and Quota Free access to all products from the 49 Least Developed Countries (LDCs). In this context we note that other trading partners, such as the US, have not taken this decision. With the Economic Partnership Agreements (EPA), ACP countries' products enjoy the same duty and quota access.
- ACP/LDCs countries have longstanding preferential access to the EU Market. DDA negotiations should maintain these preferences. Nevertheless, a distinction shall be made among developing countries.

ANNEX ON SPECIFIC ISSUES/REQUESTS

➤ **Tariffs negotiations**

The sensitivity of certain sectors such as EU livestock, sugar sector and the starch sector should be respected in the free trade agreements (FTAs) under negotiations. Granting concession on these products will bring damaging consequence for the industry, with relevant social consequences.

In particular:

- Sugar, sugar products, both Annex 1 and Non Annex 1 starch products should be excluded from the negotiations.
- FTAs can represent a major threat to the EU livestock and consequently to the feed industry and suppliers; a significant opening of the European livestock market would seriously threaten the economic viability of the entire supply chain.
- In the absence of a long term resolution of the DET issue, any concession on the import duties on soybean oil would be could not be accepted.

➤ **Non-Tariff issues**

- Effective, strict and harmonized Rules of Origin must be applied to all FTAs.
- Effective safeguard clauses for the agriculture sector should be introduced in the agreement.
- Detailed impact assessments are necessary instruments and must be made available to concerned stakeholders before any exchange of offers take place. The EU Commission should provide a detailed analysis of the social, economic and environmental impacts on the anticipated outcome of the negotiations of trade agreements.

The Primary Food Processors of the EU (PFP) is composed by:

European Starch Industry Association (AAF)
European Committee of sugar manufacturers (CEFS)
European Flour milling association (The European flour millers)
European Vegetable Protein Federation (EUVEPRO)
European Vegetable Oil and Proteinmeal Industry (FEDIOL)

PFP members process approximately 220 Mio tons of raw materials (cereals, sugar beet, rapeseeds, soybeans, sunflower seeds, crude vegetable oil, starch potatoes...) employing over 120 000 people in the European Union.

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